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Contingency plans
How offices recover from disaster

FINANCIAL TIMES

Europe's Business Newspaper

MONDAY MAY 17 1993 D8523A

De Benedetti says Olivetti paid bribes to win contracts

Italian financier Carlo De Benedetti, president of computer giant Olivetti, said his company had paid bribes to secure public contracts. Mr De Benedetti is understood to have told Milan magistrates that his group had paid some L10bn ($6.5m) to a politician in connection with telecoms contracts. "I only gave in [to pressure from political parties] when I found it necessary to defend the survival of the company and the interests of tens of thousands of workers and of shareholders," he said in a statement. Page 12

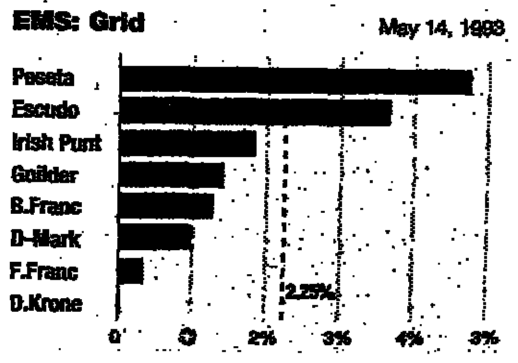
Turkish president elected: Turkey faces a period of political uncertainty following the election of Suleyman Demirel as president. Mr Demirel's True Path party must now select who will succeed him as prime minister. Page 12; In the eye of a gathering storm, Page 10

German futures traders suspended: The second revelation in a month of trading manipulation has shaken futures traders after Friday's announcement by the German futures exchange of "irregularities". Three traders have been suspended. Page 13

Lenders back O&Y's US subsidiary: Lenders to Olympia & York's US properties are backing efforts by the developer's US subsidiary to distance itself from its crippled Canadian parent. Page 13

European Monetary System: *The Spanish* peseta and Portuguese escudo start the week at the top of the European exchange rate mechanism *grid following last* week's devaluations. However, the peseta is only 4.75 percentage points above the Danish krone, the weakest currency *in the grid. Currencies, Page 28*

EMS: Grid May 14, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Heron International, UK property group, expects to raise £90m ($140m) in two property disposals to be formally announced next month. Page 14

Royal Dutch/Shell, Anglo-Dutch oil group, plans to dispose of 12 of its 42 large oil carriers to cut costs and reduce exposure to environmental liabilities. Page 14

Swiss Bank Corporation is to pay shareholders in BICC and Redland a higher cash alternative for the enhanced scrip dividends announced by both companies after reaching agreement with Barclays de Zoete Wedd. Page 15

Inconvenient flag: US shipping companies are likely to re-flag their ships in countries offering lower crew and tax costs after the Clinton administration said it would end operating subsidies to ships working under the US flag. Page 2

Palestinians kill four in Gaza: Two Israelis and two Arabs were shot dead by Palestinians in the occupied Gaza strip in the worst attack since the Israeli government sealed off the occupied territories almost two months ago. Page 2

AIOC Corporation, a privately owned New York-based company, will become a leading metals trading group after acquiring Axel Johnson's raw materials trading subsidiary from the Swedish conglomerate. Page 15

European drugs market slows: Growth of the European drugs market continued to slow during the first quarter as governments struggled to control healthcare spending. Page 3

US considers arms indictment: The US *Department of* Justice is deciding whether to indict Chilean arms dealer, Carlos Cardoen, who used US technology in weapons sales to Iraq. Page 2

Israel's bank sell-off: Israel's finance minister announced the sale of 60 per cent of the shares in Union Bank, calling the deal *"a turning point"* in the government's programme to sell off its bank shares to the private sector. Page 2

BT moves into home entertainment: British Telecom plans to move into the home entertainment market later this year, by selling dishes to receive satellite broadcasts. Page 5

Parmalat, Italian dairy group, is raising L427bn ($290m) through a rights issue to buy out the controlling Tanzi family's minority stake in its main operating subsidiary. Page 15

Siderca, Argentine steel tube maker, is set to take effective control of Tubos de Acero de Mexico, Mexico's only manufacturer of steel tubes. Page 15

Italian bomb blast probe: Police in Rome continued investigations into a car bomb blast which on Friday injured 23 people in a wealthy residential area. Page 3

EC predicts economic growth at zero or less

By Lionel Barber in Brussels

THE EC has sharply downgraded its economic forecast for this year, according to internal estimates which the European Commission plans not to release until after tomorrow's Danish referendum on the Maastricht treaty.

The revised forecast of zero to "slightly negative" growth compares with earlier official predictions of 0.75 per cent growth. It threatens to prompt a crisis in the EC budget, where falling revenues have already forced the Commission to leave 1,000 posts unfilled.

Contraction also threatens to push unemployment beyond its present level of 17.4m, renewing doubts about EC member states' willingness to follow Maastricht's tough "convergence" criteria for European monetary union.

Mr Jacques Delors, European Commission president, paid a discreet visit to Bonn last Thursday for talks with Chancellor Helmut Kohl to discuss the deteriorating outlook for the EC economy and how to co-ordinate the position after the Danish referendum.

Yesterday Mr Philippe Maystadt, Belgium's finance minister, came out in favour of amending the convergence criteria.

EC finance ministers and the European Commission have generally avoided suggesting that the Emu criteria covering inflation, budget deficits and ratios of government debt to GDP should be changed. They fear undermining budget discipline and upsetting the German Bundesbank, which has ruled out short cuts to a single European currency.

Mr Maystadt's comments reflect concern in Brussels about the short-term deflationary impact of the convergence criteria on growth. They are likely to arouse attention because Belgium takes over the EC presidency from Denmark on July 1 and is often seen as a candidate for an inner-core monetary union, although its ratio of debt to GDP is excessive.

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■ Home loans and Euro-money
PAGE 11
■ *Editorial Comment*

The latest European Commission forecasts support the International Monetary Fund's prediction in April that growth in the EC would be flat this year.

They confirm the deep impact of the German recession on the European economy, but are believed to support the UK government's view that Britain is likely to grow faster than its main European competitors this year.

Mr Henning Christophersen, the Danish Commissioner responsible for economics, has delayed amending his earlier 0.75 per cent growth forecast until the last minute.

Like many of his fellow commissioners, Mr Christophersen has argued that a Danish Yes vote would speed ratification of the Maastricht treaty in the UK, spurring an improvement in business confidence.

Mr Delors is expected to use the new, gloomy forecasts to press EC member states to beef up the Community's "growth package" in the run-up to the Copenhagen summit.

The plan mixes national measures such as a shift from current to capital spending on infrastructure and housing, with modest new Community lending to small and medium-sized businesses.

The EC budget is already overstretched. The freeze on personnel results largely from a rapid rise in pension costs for retiring EC officials who joined the Community at its inception in 1958.

Officials also point to the wave of recent currency devaluations in the European exchange rate mechanism which have led to a fall in the value of the Ecu, the unit in which all EC spending is calculated.

Danish PM attacks treaty opponents as Yes vote strengthens

By Hilary Barnes in Copenhagen

THE DANISH political debate over the country's second referendum on the Maastricht treaty grew more bitter at the weekend as the final opinion polls before tomorrow's vote showed a modest strengthening of the Yes vote.

A Gallup survey, due for publication today, showed 54 per cent in favour of the treaty, the No vote little changed at 32 per cent, and 18 per cent undecided or not planning to vote.

Mr Poul Nyrup Rasmussen, the Social Democrat prime minister, sharpened his attack on the opponents of the treaty, using terms unusually harsh for Danish politics. "They're raving mad," he declared in a signed article in a Sunday newspaper.

At the only campaign meeting where he has met a leader of the left-leaning June Movement, the biggest of the anti-Maastricht organisations, face-to-face he lashed out at his opponent, Prof Niels I Meyer, a physicist.

"The June Movement claims that Danish democracy will disappear if there is a Yes vote on Tuesday. I am astonished that well-educated people, even professors, can say this without blushing or a tremor in their voices," he said.

The prime minister is apparently not alone in thinking the *No movements are unconvincing.* A poll in yesterday's Jyllands Posten newspaper showed that *leaders of the pro-Maastrict campaign* are regarded by voters as more reliable than the June *Movement's leaders.*

Danes appear to be preparing to turn out to vote in record numbers, judging by the advance postal vote, which is 13 per cent up on last year.

After a campaign marked by poorly attended election meetings and low viewer ratings for television campaign programmes, the size of the postal vote has come as a surprise.

Mr Jurgen Elklit, a political scientist at Aarhus University, Jutland, said: "The voters have learnt from the result last June that it takes only a few thousand votes to change a Yes to a No, or the reverse, so now they are getting off their sofas to make their influence felt."

In last year's referendum, the verdict was 50.7 per cent against the treaty, with 49.3 per cent in favour, a difference of 46,000 votes on a turnout of 82.9 per cent.

Vote desperation, Page 4
International bonds, Page 19

Bosnian Serb soldiers vote in the referendum on the Vance-Owen peace plan.

Town where mosques are rubble, Page 12

Gerstner halts plan to break up IBM

By Louise Kehoe in San Francisco

MR Lou Gerstner, International Business Machines' newly appointed chairman and chief executive, has stopped plans to break up the world's largest computer company.

Mr John Akers, who last month stepped aside as IBM chairman and chief executive in the wake of 1992 losses of almost $5bn, had planned to sell interests in large parts of the business, which last year generated sales of $64.5bn.

Mr Gerstner has told the group's managers that "the whole of IBM is greater than the sum of the parts", and reversed the strategy.

Mr Akers had spoken of plans for "variable IBM ownership across the range of businesses . . . from wholly owned, to majority-owned, and minority-owned, or none at all," when he announced the planned restructuring 17 months ago.

The strategy had been proposed to find alternative ownership for Adstar, IBM's data storage products business with sales of $6.1bn; Pennant Systems, the company's $2.3bn printer subsidiary; and IBM Personal Computers, a $9.8bn business.

As recently as last December, Mr Frank Metz, former IBM chief financial officer, said the company was moving fast in gathering the financial data needed to complete the restructuring.

Although officials now discourage any speculation about spin-offs or divestment, Mr *Akers' goal of decentralising* IBM's management has survived.

Mr Jack Kuehler, IBM's vice-chairman, said the group was determined to decentralise decision-making.

Mr Gerstner's determination to keep IBM intact appears to have been a factor in his selection as the first company "outsider" to head the world's largest computer manufacturer. Some potential candidates for the post, including John Sculley, Apple Computer chairman and chief executive, had more radical ideas.

Mr Sculley, who confirmed that he had proposed a merger of Apple and IBM, is also believed to have suggested that IBM sell off its $12.7bn mainframe computer business.

Mr Gerstner's rejection of a wholesale breakup of IBM may not, however, signal complete reluctance to take drastic action. IBM executives now acknowledge that the company may need to shed huge numbers of workers, well beyond the "more than 25,000" it has already committed itself to parting with this year.

Germany faces need for second solidarity pact

By Quentin Peel in Bonn

THE German government will be forced to negotiate a second solidarity pact, designed to finance the cost of subsidies for east Germany, with employers and unions in the coming months. It will involve for the first time substantial cuts in social spending, because of a drastic shortfall in its expected tax revenues, according to senior officials.

The grim prospect of new budget cuts in the current year, followed by tough curbs on spending for at least three more years, has been triggered by the forecast of a tax shortfall of DM104.5bn ($65bn) for the public sector up to 1996.

The longer-term fear of government advisers is that the recession-induced central government budget deficit, expected to hit DM70bn this year and at least as much in 1994, could become a structural deficit from 1995, in spite of economic recovery.

The revenue estimate comes just two months after the first solidarity pact was painfully negotiated between the government coalition, the opposition Social Democrats, and the 16 federal states, as well as employers and trade unions.

Now the government must persuade the opposition and trade unions that social welfare programmes, exempted from cuts in the first round, must be included in a solidarity pact mark two.

"The first solidarity pact cut expenses too little and raised taxes too much," according to one top government adviser. "This has to be reconsidered. It is not possible to find a solution only through tax rises and higher budget deficits."

The new tax revenue estimates produced by a working group of finance ministry officials, Bundesbank experts and outside advisers, suggest a shortfall of DM5.3bn this year, DM25.8bn in 1994, DM32.7bn in 1995 and DM40.7bn in 1996.

Actual tax revenues for 1992 are put at DM732bn, estimated to rise by a nominal 2.2 per cent to DM748bn this year, and by 5.1 per cent to DM786bn in 1994.

One important factor behind the shortfall is sharply rising unemployment, which reduces disposable incomes and tax revenues while increasing the burden on social welfare programmes.

Officials in the finance ministry now expect the economy to contract by 2 per cent this year compared with initial forecasts of a fall of 1.5 per cent, while they fear unemployment will rise by 500,000 to 3.5m in 1993, and by a further 200,000 to 300,000 in 1994, in spite of gradual economic recovery.

The concern in government ministries is that in spite of the urgent need to make further cuts in government spending, the current upheavals in the main political parties mean no action will be taken for several months.

No new leader of the Social Democrats is expected to emerge before a party congress in September.

Mr Theo Waigel, the finance minister, is distracted by a struggle for power within his Bavaria-based Christian Social Union.

German industry problems remain, Page 3

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT220	India	Rs40	Nigeria	Naira45	Slovenia	HRD5700
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs46	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1 50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

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NEWS: INTERNATIONAL

Norwegian and Japanese whaling communities are united in their defiance of IWC moratorium

Lofoten counters hostility with optimism and resolve

By Karen Fossli in Oslo

ANTAGONISTS call the people of Norway's Lofoten Islands "Arctic barbarians", yet the fishermen and whalers feel misunderstood and unjustly condemned by a world hostile to the way in which they make their living.

Today – Norway's Constitution Day – will be celebrated by the islanders while they anxiously await tomorrow's commercial whaling quota announcement by the government, after a two-year battle with anti-whaling activists.

At the weekend, Lofoten's whalers began rigging their boats and testing their harpoons before resuming traditional coastal whaling, hopefully, they say, sometime this week. As the IWC deliberated in Kyoto, foreign media descended upon Lofoten asking how whaling could be so important to so few people that the entire nation would risk isolation by most of the rest of the world.

"You begin to wonder what the IWC has become and what real use it is since it refuses to listen to the advice of its own scientists," remarked Mrs Marietta Korsrud, wife of a Reine whaler and fisherman. "It calms me to have a government which makes decisions based on scientific results because this is the only way in which the environment can be truly cared for. It's important for the world to know we are not barbarians." Mr Korsrud's father was a whaler, as was his grandfather.

The Lofoten Islands comprise six municipalities and a population of 25,000. Granite mountain pinnacles forming the jagged "Lofotwall" rise from the treacherous Norwegian Sea. Four of the municipality's seven whaling boats returned on Saturday with a paltry spring catch of four minke whales out of 50 allotted under research quotas. The whalers spent the last month battling storms around the Bear Islands in the Barents Sea and in the West Fjord, which separates Lofoten from Norway's mainland.

Captain Olav Olavsen of the Nybraena said the weather was so severe, just 17 hours of whaling was possible. Last December, the Nybraena was partially sunk by US anti-whaling activist Paul Watson, who threatens further action once Norway resumes commercial whaling. Capt Olavsen was forced to take out war insurance coverage in order to remain in business.

This spring's catch was brought to auction on Saturday in Skrova and Myre in Vesteraalen, where buyers paid NKr32.50 ($4.80) a kilo for the dark red meat, but they hope to get up to NKr80 a kilo in the second-hand market. They say the meat will fetch NKr120 a kilo in food stores around the country. According to Mr Tor Haug, the hunt's leader, it cost about NKr100,000 a day for each of the four whaling boats to operate. Whaling represents about 50 to 60 per cent of the annual income of Lofoten's fishermen, who began coastal whaling in the 1920s.

Ms Zoelvi Pedersen, a spokeswoman for pro-whaling organisation High North Alliance, said Lofoten was disappointed Norway did not withdraw from the IWC but relieved the government was to allow coastal whaling. The whalers themselves do not have huge expectations for high quotas. As Mrs Korsrud said: "They need quotas high enough to cover their operating costs – maybe 8 to 10 whales each, but will be thankful for what they get."

The whalers face continuing action from activists like these Greenpeace demonstrators outside Oslo's Foreign Ministry

Taiji sports credentials of tradition and culture

By Robert Thomson in Taiji, Japan

TAIJI is a whaling town and proud of it – two humpback whales are mounted above the entrance to the town, whale motifs are emblazoned on manhole covers and it boasts a harpoon boat museum.

Last week, 160 residents from the port in southern Japan protested in front of a Kyoto conference hall where the International Whaling Commission extended the moratorium on commercial whaling and angered the Japanese government.

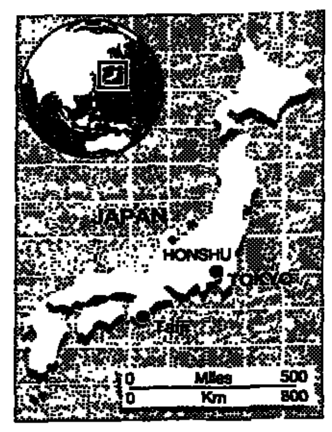
A frustrated Mr Setsuo Hamanaka, Taiji's mayor, stood with the protesters, who carried placards demanding that the delegates "respect differences in food culture" and suggesting that "France, get out of the IWC", a reference to the French proposal for a whale sanctuary in the southern oceans.

"The problem is that the IWC has become an environment protection group and not a whaling management association," said Mr Hamanaka, who was yesterday guiding a Danish delegation around the town. "The IWC was never intended to be a love-the-animals commission."

Taiji is determined to convince visitors that the whaling history in the region, traced back more than 1,000 years, has taught the town to understand and "love" the whales.

Most of the residents still have links with the fishing industry, but the town is not much interested in presenting itself as another fishing port, and wants to be known as "the town living with the whales."

The result is a marine park, where killer whales charm tourists with their intelligence and tricks, a whale museum, whale meat restaurants, and



whale-shaped boats which cruise the nearby islands.

But the fluffy whale toys, the key rings, and blow-up mammals are not enough to satisfy the Taiji Fishermen's Co-operative which wants to get back into the business of whale hunting.

The co-operative takes the whaling ban personally and nationalistically, seeing Japan as suffering unfairly at the hands of the international community. The co-operative's members complained that the people of Taiji are victims because the IWC does not understand the tradition of whaling culture in Japan.

That tradition is displayed in the local museum, where an old whaling boat has been reconstructed, and benign-faced whalers spear their prey. But the question of whether whales will survive modern whaling techniques is raised by Kyomaru No.11, a harpoon boat beached at the opposite end of Whale Park.

The Kyomaru No.11 takes credit for a haul of 12,638 whales and was part of a fleet which scoured the Antarctic in the 1960s and 1970s, bringing home the carcasses not for the local community, but for large Tokyo and Osaka companies.

Mr Hamanaka says Taiji's immediate ambition is to return to a community-based whaling programme, not large hauls for Tokyo companies. But a Japanese proposal for a community-based quota of 50 whales was rejected last week by a majority of IWC member nations.

"We didn't win that vote, but I think we are starting to improve international understanding," the mayor said. "But western nations must remember to respect our culture."

US weighs legal action against Chilean over arms for Iraq

By Alan Friedman in Washington

THE US Department of Justice is facing a politically delicate decision on whether to indict a top Chilean arms dealer who used US technology in large-scale weapons sales to Iraq.

Mr Carlos Cardoen, who made a fortune in the 1980s as one of the biggest suppliers of cluster bombs and other weapons to Baghdad, has been under investigation since 1991 by US law enforcement agencies and federal prosecutors in Miami. The Clinton administration's decision on the Cardoen case – expected in the next fortnight – could also have repercussions on other politically sensitive US prosecutions related to the arming of Iraq.

A year ago US prosecutors filed a civil suit against Mr Cardoen, accusing him of money laundering and of illegally exporting 100 tonnes of zirconium from the US to Chile in the 1980s; zirconium is a material that can be used in cluster bombs or other armaments.

US government officials have told the Financial Times that a criminal indictment of Mr Cardoen for the zirconium deal was due to be unveiled earlier this year, but was put on hold after the CIA provided new information to prosecutors.

The CIA information indicated US government awareness as far back as 1984 of Mr Cardoen's likely military use of the zirconium shipments. At the weekend Mr Cardoen was quoted in the US as saying American officials were aware of his work in arming Iraq and of the planned use of the US shipments of zirconium.

He has also stated he communicated with the CIA about his Iraqi dealings, contradicting past denials by the Bush administration that the US intelligence agency had ever had any relationship with Mr Cardoen.

Mr Cardoen's claim that the Reagan and Bush administrations knew precisely what he was doing mirrors the defence in London last year of former executives of Matrix-Churchill, the UK machine tools company that was a Cardoen business partner and also supplied Iraq.

Other pending Iraq-related US cases could be affected by the Clinton administration's decision on Mr Cardoen, including the planned September trial of Mr Christopher Drogoul, former manager of the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL). Mr Drogoul was accused by the Bush administration of single-handedly organising $5bn of clandestine Iraqi loans that helped to finance Baghdad's war machine.

BNL Atlanta provided letters of credit that indirectly financed equipment shipped to Mr Cardoen by Matrix-Churchill, the company at the heart of the present arms-to-Iraq inquiry being conducted in London by Lord Justice Scott.

The Matrix-Churchill case collapsed last autumn after it was revealed that key executives were working with British intelligence services and receiving the UK government's blessing for their sales of militarily useful equipment to Iraq.

Mr Drogoul has claimed his activities were known about and approved by the Reagan and Bush administrations, and by BNL headquarters in Rome. The bank's head office has denied any knowledge of the BNL Atlanta loans.

It is believed, however, that US prosecutors in Miami may still feel able to go ahead with the indictment of Mr Cardoen if they can prove his specific intent to use the zirconium for military purposes.

Last year Ms Carol Hallett, the US customs commissioner, called Mr Cardoen a "merchant of death" as she unveiled the US civil suit which confiscated $30m of his US holdings.

Kantor in the firing line for excess zeal on Nafta

By George Graham and Nancy Dunne in Washington

THE Clinton administration may have run foul of US government ethics laws in its zeal to drum up support for the North American Free Trade Agreement.

Congressional critics say Mr Mickey Kantor, the US trade representative (USTR), may have overstepped the line by setting up a coalition of governors, mayors and state legislators in favour of Nafta, breaching a prohibition on any use of government money to organise a lobbying effort.

Congressman Collin Peterson, chairman of a House of Representatives government operations sub-committee, has asked the General Accounting Office to investigate USTR's involvement in the Nafta coalition, which he says raises "serious questions about potential ethical violations and possible criminal activities on the part of USTR officials and employees".

Mr Peterson leads an anti-Nafta coalition in Congress.

Trade has become a highly politicised issue under President Bill Clinton, as the administration has sought to build popular acceptance of economic benefits within free trade agreements such as Nafta or the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade.

At the same time, however, it has sought to stem protectionist currents in public opinion by taking tough enforcement measures against countries such as Japan.

Signalling the high priority Mr Clinton attaches to trade policy, Mr Kantor will, unusually, be joining heads of government, finance ministers and foreign ministers at the Tokyo summit of the Group of Seven leading industrial nations in July.

Although the US criminal code appears to impose a blanket ban on any use of government money to attempt to influence a member of Congress in any way, the law is in practice grey; administration officials are free to lobby Congress themselves, and may advise or inform outside groups.

Congressional aides suggest that USTR clearly overstepped that line by actually organising the Nafta coalition, to the extent of issuing press releases on its formation.

In a statement responding to Mr Peterson's letter, USTR insisted that the pro-Nafta coalition was entirely independent.

"At no time did anyone at USTR directly or indirectly ask any individual to lobby the Congress. No US officials will be involved in staffing or funding the activities of this group," the statement said.

Some elected officials listed as members of the coalition, however, said Mr Kantor's office had contacted them about joining.

"I don't know if it began in the White House or began in Mickey Kantor's office, but it is Mickey Kantor's office that actually got in touch with me about being a part of this," said Mr Richard Raymond, a Texas state representative.

Some experienced former officials from Congress and the administration yesterday agreed that the Nafta coalition went beyond past efforts to win support for administration policy.

Mr Leonard Santos, a lawyer with the Washington firm of Perkins Coie and former trade counsel to the Senate finance committee, said it was "certainly outside the norm," although less blatant efforts to stimulate grassroots lobbying were common.

Other Washington trade specialists, however, viewed the action as well within normal usage.

Violations of the lobbying law are punishable by a small fine or prison sentence, but also by removal from office.

Clinton to cut ship subsidies

By George Graham in Washington

US MERCHANT shipping lines are expected to start reflagging their ships in countries that offer lower crew and tax costs after a decision by the Clinton administration not to extend operating subsidies to ships working under the US flag.

According to the Washington Post, the White House overruled a proposal by Mr Federico Peña, transportation secretary, to continue operating subsidies to US shipping companies when current contracts expire in 1997 because they could not be accommodated in the budget plan.

Without subsidies the US merchant fleet is expected to dwindle to about 30 vessels plying cabotage routes to US destinations such as Alaska and Hawaii, where US flag vessels are required by law.

US flag shipping costs are substantially higher than the world market; recently the Agriculture Department had to find about $385m in order to get Russia to accept the $700m of food aid promised by President Bill Clinton.

Russia initially had declined the aid because of the cost of shipping three quarters of it on US flag vessels, as required by American aid law.

Palestinians kill four in Gaza Strip

By Our Jerusalem Correspondent

TWO Israelis and two Arabs were shot dead by Palestinians in the occupied Gaza Strip yesterday, in the worst attack since the Israeli government sealed off the occupied territories almost two months ago.

The four men were trading vegetables outside a greenhouse at the Jewish settlement of Gadid, in the south of the strip, when gunmen opened fire from a passing car.

The Hamas Islamic Resistance Movement and the Fatah wing of the PLO – usually bitter rivals for Palestinian support in the territories – took responsibility for the killings in an unprecedented joint statement.

Israeli government starts bank sell-off

By Our Jerusalem Correspondent

ISRAEL'S finance minister, Mr Abraham Shochat, yesterday announced the sale of 60 per cent of the shares in the country's Union Bank, calling the deal "a turning point" in the government's programme to sell off its bank shares to the private sector.

Mr Shochat said that the Eliahu Group, a group of private investors headed by Shlomo Eliahu, had valued the Union Bank at $140m and had agreed to pay $85m for 60 per cent of the shares.

The Union Bank is not one of Israel's leading banks, but Mr Shochat welcomed the sale as "the beginning of a process" that would see the government ultimately divest itself of its controlling interest in the banking system.

He said the government hoped in the near future to sell off 20 per cent of the shares in Israel's largest bank, Bank Hapoalim, which has assets estimated at $40bn.

The Israeli government became the effective owner of the country's banks a decade ago, after the October 1983 bank shares crisis. For years the banks had artificially boosted their own share prices, with stockholders treating their shares as government guaranteed bonds. A mass rush to sell the shares in October 1983, however, triggered the collapse of the national banking system, leaving the government with little alternative but to bail out the banks at a cost of more than $9bn.

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Bosnia peace plan 'may be enforced'

By Leyla Boulton in Moscow and Laura Silber in Belgrade

RUSSIA yesterday suggested for the first time that the implementation of the Vance-Owen peace plan for Bosnia could begin even without the agreement of Bosnian Serbs, who were set to reject it in a weekend referendum.

Mr Andrei Kozyrev, the Russian foreign minister, stressed that the plan, supported by the presidents of Serbia, Montenegro and the rump Yugoslavia, was the international community's agreed position on the fighting in Bosnia.

The Russian foreign minister was speaking to reporters after talks in Moscow with Lord Owen and Mr Thorvald Stoltenberg, the international mediators.

Though he gave no details on how the plan could be implemented in the teeth of Bosnian Serb opposition, Mr Kozyrev said the UN Security Council might approve a new resolution on the subject this week. Like Britain and France, Russia has expressed strong reservations about US calls for air strikes and, particularly, for arming Bosnian Moslems.

Mr Kozyrev said ideas initially presented by the media as a new Russian plan were in fact just "a new Russian approach to the plan's implementation". He did not elaborate. But he said Russia would agree to send monitors to police Bosnian borders, with the object of choking off arms supplies to Bosnian Serbs.

"We need now to have some high-quality troops," Lord Owen told reporters at the end of his weekend trip to Moscow. "Even a contribution of 2,000 from the Russian Federation quickly would be very helpful."

Bosnian Serbs turned out in large numbers yesterday to vote in the referendum. They were expected to ignore the advice of the leaders of Serbia and Montenegro by voting massively against the Vance-Owen plan. In reply to a second question, they were also expected to vote in favour of an independent Bosnian Serb state, with the right to unite with other peoples and states.

Turnout had already reached 60 per cent of the Bosnian Serb population of Bosnia by the end of the first day of voting, but the final result is not expected until Wednesday.

The international community has already dismissed the referendum in advance as illegal, because it is being held in a war zone where Serb electoral lists are out of date and in areas from which most of the non-Serb population has been expelled.

Meanwhile, Bosnian Serb forces pressed on with their assault on Moslem and Croat forces around the north-eastern town of Brcko, where they are trying to widen the corridor linking Belgrade with Serb-held territories in Bosnia and Croatia.

Bosnian Croat forces also launched a fierce attack on Moslem positions in Mostar, the south-western Bosnian city, after a week of clashes between the former allies.

● Reuter adds: Bosnian Serb commander General Ratko Mladic yesterday signed a ceasefire agreement with Bosnian Croat military chief General Milivoj Petkovic covering the whole of Bosnia. The agreement, due to come into force at noon tomorrow, was signed at a meeting at Sarajevo airport attended by the commander of UN troops in Bosnia, General Philippe Morillon.

Query for UBS on fund claim

By Ian Rodger in Zurich

THE Swiss Federal Banking Commission has asked Union Bank of Switzerland, the country's largest bank, to comment on statements by Mr Florio Fiorini, the imprisoned former head of the collapsed Sasea Holdings group, implicating the chairman of UBS in Italy's political corruption scandals.

Mr Fiorini has told Geneva prosecutors Mr Nikolaus Senn, UBS chairman, assisted in the transfer of funds from Eni, state-owned Italian energy group, through a UBS account in Lugano to the Italian Socialist party in the late 1970s. Mr Fiorini was finance director of Eni at the time.

Mr Senn, who was then UBS chief executive, initially denied the charge, published in the Swiss financial newspaper Cash two weeks ago.

He then admitted to Cash that Mr Fiorini had met him in 1981 and asked that information on the account – which had been closed – be treated with the utmost discretion.

In an interview with another newspaper published yesterday, Mr Senn said he could not rule out that Mr Fiorini had said the funds were destined for the Italian Socialist party.

Destroyed cars lie in front of a damaged building in the wake of the explosion

Rome police suspect Mafia of blast

POLICE in Rome yesterday continued investigations into a car bomb that exploded on Friday night in a wealthy residential area of the capital, injuring 23 people, writes Robert Graham in Rome.

The police said members of the Mafia were the most likely instigators. Italy will be marking this week the anniversary of the Mafia killing of Mr Giovane Falcone, the anti-Mafia magistrate, and the authorities have warned that the group is preparing to act against the state.

One theory is that the bomb was aimed at Mr Mauricio Constanzio, one of the country's most popular chat show hosts who has been an outspoken opponent of Mafia tactics. His car passed by seconds before the bomb exploded and only a wall saved him from serious injury.

However, the explosion did not bear the familiar signs of Mafia action and would be an unusual departure from the organisation's practice of concentrating terrorist action in its home base of Sicily.

Firemen were yesterday still clearing up debris in the street in the Parioli district of Rome where the explosion occurred. Some 80 apartment owners have been forced to leave their homes temporarily following the blast, which gouged a small hole in the road and devasted the facades of buildings for nearly 100m.

Police said the explosion was unlikely to be the work of any foreign organisation or a local subversive group.

Belgian justice reforms

By Andrew Hill in Brussels

BELGIUM'S government is rushing through reform of its criminal justice and prison systems following a series of blunders, culminating in the suicide last week of the country's most notorious prisoner.

Patrick Haemers was found hanged in his cell on Friday morning. He had been accused of masterminding a series of hold-ups and the kidnapping of former Belgian prime minister Mr Paul Vanden Boeynants.

Haemers' trial had already been delayed once for lack of a jury and was undermined a fortnight ago by the armed break-out from a Brussels jail of two of the eight people accused alongside him. Haemers' lawyers claim he killed himself because he was demoralised by the delay in setting up the trial.

But the escape has raised fears in Belgium that violent armed gangs may be linking up to support one another. When one of Haemers' associates was recaptured 10 days ago, his supporters machine-gunned the facade of the police station where he was being held overnight and threw grenades through the windows.

Spending curbs on healthcare hit drugs sales

By Paul Abrahams

GROWTH of the European drugs market continued to slow during the first quarter this year as governments struggled to control healthcare spending.

Underlying sales of prescription medicines in the top seven European markets increased only 2.1 per cent during the first three months. During the whole of 1992 the same markets grew 8 per cent.

The seven markets, about 85 per cent of the entire west European market, actually fell in dollar terms from $11.923bn during the first quarter last year to $11.166bn over the same period this year.

The figures, compiled by IMS International, the pharmaceuticals market research company, include purchases by pharmacies, representing about 80 per cent of total drugs sales. The statistics exclude end-users such as hospitals.

Sales in Germany fell from $2.942bn to $2.527bn. Excluding exchange rates, they dropped 13.4 per cent, following price cuts introduced at the beginning of the year and followed by a price freeze.

France remains Europe's largest single market and the third largest in the world after the US and Japan. Spain, which has recently overtaken the UK as the fifth largest market, is now Europe's fastest-growing market for drugs sales, increasing 14.4 per cent, compared with the UK growth of 11 per cent. The British government is concerned about the UK drugs bill.

German industry problems remain

The strikes may be nearly over but the east is still not competitive, writes Judy Dempsey

THE agreement reached on Friday in the Saxon capital of Dresden between Germany's metal and electrical employers and the country's powerful engineering union, IG Metall, provides a formula for ending a strike which could have paralysed what remains of eastern German industry.

Yesterday, both sides were debating on the regional level whether the Saxon compromise reached by Gesamtmetall and the union could be applied to the metal and electrical sectors of the other four states.

If so, workers will be balloted today and if 25 per cent support the agreement, the strikes in this sector are expected to end on Wednesday.

But strikes in the steel sector, centred mostly in Berlin-Brandenburg, could continue after the breakdown yesterday evening of separate talks between the steel employers and the local IG Metall branch over this year's wage rises.

Regardless of the outcome in both cases, the Saxony compromise leaves unanswered how eastern German industry can become competitive and how productivity can improve.

For those small German and foreign companies already located in east Germany, the agreement offers little chance for further investment which could lead to the creation of new jobs in the region. Investments will be soaked up by a spiralling wage bill.

The Berlin-based German Institute for Economic Forecasting (DIW) recently showed that for 1993, eastern Germany's gross domestic product will exceed DM201bn ($124.8bn) while the wage bill will exceed DM248bn. In western Germany, this year's GDP is estimated to total DM2,223bn, and wages DM1,555bn.

In practice this means that the *Mittelstand*, the small and medium-sized companies, will find it increasingly difficult to generate profits in eastern Germany. "There is little chance of sustainable growth if the labour costs are not kept down," said Mr Thomas Mayer, an economist at Goldman Sachs. The DIW confirms this.

Productivity in the metal, electrical and steel sectors in eastern Germany is already lagging behind its western counterparts by about 70 per cent, which means that unit labour costs in the east are 70 per cent above western German levels.

Through the strike weapon, IG Metall reinstated, in a modified form, the basis of the March 1991 contract, signed with the employers, which will equalise eastern and western wages beginning in mid-1996, instead of 1994. The principle of collective wage bargaining in the region has also been upheld.

Above all, the union used the strike to attack the Treuhand, the agency responsible for the privatisation of eastern German industry. Many of the targeted enterprises were under the Treuhand. If the agency manages to privatise sections of this remaining core, thousands could lose their jobs. This will push up the unemployment rate, which, taking into account job creation schemes and short-term work, is about 30 per cent of the region's labour force.

By targeting these enterprises, and later the privatised sector, IG Metall wanted to ensure that the future unemployed would receive higher unemployment benefits. "The German taxpayer will have to pick up the bill," said Mr Mayer.

Through this strategy the union has left little room for creating investment which would lead to job opportunities for its members. Indeed, this policy will not only reduce the union's eastern membership. It will also, as Mr Mayer points out, deprive eastern Germany of the stimulus for growth and competitiveness.

UK minister reveals vote desperation

By David Owen

SENIOR British ministers yesterday underlined how desperate the government is for a favourable outcome in tomorrow's Danish referendum on Maastricht by warning that a No vote would have "a fairly devastating effect".

On the BBC's Breakfast with Frost programme, Mr Kenneth Clarke, home secretary, said a No would "send shocks through western Europe". He added it would dent his personal optimism that a "fairly dreadful" year was improving.

The referendum comes as British Prime Minister John Major attempts to reassert his authority after this month's Conservative party election disasters.

He began this process last week with a determined speech to the Scottish Conservative Conference. A Danish No would deal a telling blow to the rehabilitation process, however.

Separately, Sir Edward Heath, the former Conservative prime minister, launched a devastating attack on the Tory Euro-sceptics, saying they would be hated for the rest of their political lives.

On BBC Radio 4's The World This Weekend, Sir Edward said people were "furious at this small band of sceptics holding everything up month after month after month – absolutely furious." He added: "These people are going to be hated for all time. Think what they have done to our party."

Mr Clarke said a No vote would result in "a period of difficult rethinking" on Europe which "may well not emerge with solutions which the Euro-sceptics would like at all".

Member states "would have to consider how to continue to develop the EC despite the Danish rejection". He indicated Britain would be reluctant to press on without Denmark.

Mr Clarke was also at pains to reassure those who have expressed concern about the consequences of the Maastricht treaty's ratification that a Yes vote tomorrow would not encourage the government to just charge on with the European agenda.

"I do think it is extremely important... that we pro-Europeans remember the experience of Maastricht," he said. "We went absolutely to the limits of keeping public opinion with us in the UK, in Denmark, France and elsewhere. We have to put in place the bits of Maastricht that reassured people."

Hilary Barnes on confident forecasts for tomorrow's Danish referendum

Pollsters hope it's second time lucky

Danish referendum

SUPPORTERS of a Yes vote in Denmark's referendum on the Maastricht treaty tomorrow are nervous, while opponents continue to hope, despite a clear lead for the Yes side in the opinion polls. The reason is not hard to find.

In a poll on May 31 before last year's vote, the Gallup Institute showed 55.7 for and 44.3 per cent against (after eliminating the don't knows). The actual result was a No – by 50.7 per cent to 49.3 per cent. The difference between the survey and the actual result was 12.8 percentage points.

> There will have to be a landslide change of mind if the Noes are to win

Curiously, the Gallup poll a week before last year's vote gave a small No majority, as did two of the three polls monitored by the Financial Times. It was Gallup's surveys in the final week that got it wrong.

A comparative analysis of surveys in 1992 and this year by the three institutes – Gallup, published in the Berlingske Tidende newspaper, Vilstrup, published in Politiken, and Greens, published in the Boersen business newspaper – suggests that a No this time would be more surprising than it was last year.

This year not a single survey since the beginning of February has given a majority for the Noes. Last year, nine out of 19 polls between early February and May 26, a week before the referendum, showed a No majority.

There are fewer don't knows this year. In polls published by the three institutes last week, Gallup reported 13 per cent undecided, Greens 11 and Vilstrup 8. A week before last year's vote, the figures were 18 14 and 15 per cent.

The average gap between Yes and No in the three polls last week was 22 points, with a 61-39 per cent majority for Maastricht (after eliminating the don't knows). Last year, a week before the vote, Gallup and Vilstrup, showed a small No majority. Greens showed a Yes by 53.5 to 46.5 per cent.

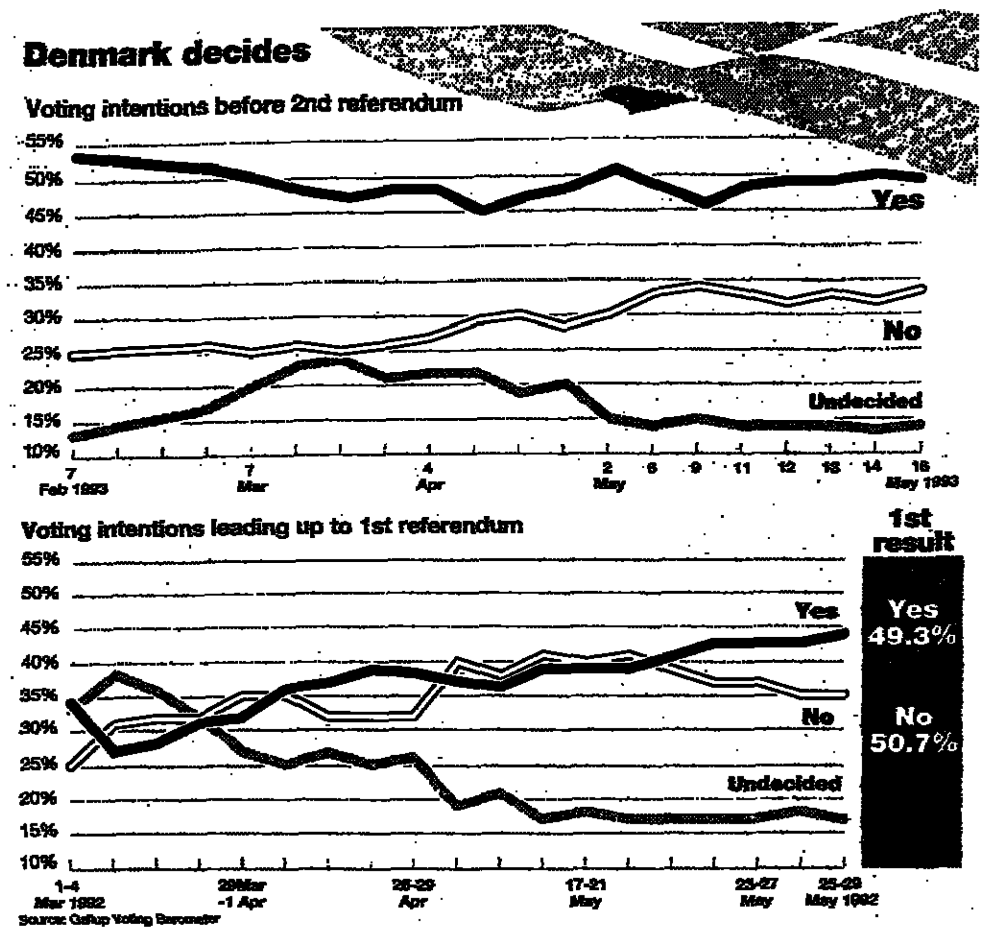
In daily polls by Gallup in the final week up to the June 2 vote last year, there was a sudden and misleading (as it turned out) swing towards Yes. There has been no such swing, either way, in 1993. The Noes have gained ground this year from the beginning of February, when they were receiving 25-26 per cent of support, until the first week in May, when their support seems to have stabilised at about 32-34 per cent of the vote, including the don't knows and won't-votes, according to Gallup.

The Yes vote lost ground in the same period, but since the beginning of May it has consistently been around 48-50 per cent.

But in none of the surveys by the three institutes have the Yes and No curves come anywhere near crossing each other this year.

In a survey of the Greens last week, however, the percentage gap between Yes and No, after eliminating don't knows, was a relatively meagre 11 points.

Voters can still change their minds, of course, but, taking the average of the polls, there will have to be a landslide change of mind if the Noes are to win.



Source: Gallup Voting Barometer

Political row to put peseta to the test

By Peter Bruce in Madrid

THE Spanish peseta's new level in the European exchange rate mechanism may be put to the test this week as the political battle over last Thursday's devaluation escalates.

In the run-up to elections on June 6, the ruling Socialists and the conservative Partido Popular (PP) exchanged accusations over the weekend. If the PP insists on further interest rate cuts – the Bank of Spain trimmed its official rate from 13 per cent to 11.5 per cent the day after the peseta's 8 per cent devaluation – the peseta could come under pressure again.

With the PP and the Socialists running close in opinion polls, the markets will be watching developments carefully.

Prime Minister Felipe González accused Mr Jose Maria Aznar, the PP leader, of precipitating the final speculative attack on the peseta by revealing details of a conversation in which Mr González had tried to seek a deal not to attack the currency during the campaign. A few days later Mr Aznar had said Spanish interest rates should fall quickly.

In an interview with the Financial Times at the weekend Mr Aznar rejected this. "Mr González is beyond all shame," he said. "There was absolutely no agreement on silence at all and no one in this country can say a single word of mine has cost the country a single peseta of our reserves. What is more, I have resisted many voices who are urging me to make the most of this opportunity.

"The person responsible for the trouble Spain is in is Mr Felipe González."

Anxious not to hand the struggling Socialists a lifeline, Mr Aznar, who is to meet British Prime Minister John Major during a visit to Britain today, would not say whether he was satisfied with the scale of the devaluation and the subsequent interest rate cut. "I will be satisfied when the Spanish economy begins to recover," he said.

Nevertheless, there are few early signs that the PP has managed to turn Thursday's devaluation – the third in less than nine months – to its advantage.

Two nationwide opinion polls published yesterday put the Socialists ahead.

Although the polls were taken before Thursday, they demonstrate how well the Socialist vote is holding up, despite the recession and divisions in the ruling party. The polls also continue to show that Mr González is more popular than Mr Aznar.

Europe's car sales continue to fall

By Kevin Done, Motor Industry Correspondent

NEW car sales in west Europe dropped by 18.6 per cent last month as demand fell sharply for the fourth consecutive month. Sales declined by 29.6 per cent in Spain, 28.6 per cent in Italy, an estimated 16.5 per cent in Germany and by 11.7 per cent in France.

In the first four months west European new car sales have fallen by 17.6 per cent to an estimated 4.15m, from 5.04m in the corresponding period a year ago.

Most leading carmakers in Europe have been forced to implement short-time working and are cutting their workforces in the face of shrinking profits or mounting losses.

According to industry estimates, new car sales in April fell to 1.087m from 1.334m in the same month a year ago. Sales last month were lower than a year ago in 16 of 17 markets. Registrations rose only in Ireland.

The recent recovery in UK new car sales faltered in April with a 1.9 per cent year-on-year decline. UK industry leaders claimed the fall was misleading, however, as sales a year earlier had been inflated by a reduction in car purchase tax.

In the first four months new car sales in west Europe were higher than a year ago only in the UK, with an increase of 8.2 per cent, and in Ireland.

Spain, Switzerland and the Netherlands all suffered declines in the first four months of about 30 per cent year on year, while sales have dropped by a fifth in Germany, Italy and France.

Rover, the UK car producer and a subsidiary of British Aerospace, was the only carmaker in west Europe to increase its sales volume in the first four months, with a rise of 9 per cent.

Among the big six volume carmakers, the Fiat group of Italy, which includes Alfa Romeo and Lancia, is being hit by the decline in its domestic market, where new car sales fell by 28.6 per cent in April.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-April 1993

	Volume (Units)	Volume Change (%)	Share (%) Jan-Apr 93	Share (%) Jan-Apr 92
TOTAL MARKET	4,151,000	−17.6	100.0	100.0
MANUFACTURERS:				
Volkswagen* (incl. Audi, SEAT & Skoda)	702,000	−19.4	16.9	17.3
General Motors (Opel/Vauxhall, US# & Saab)	524,000	−16.8	12.6	12.5
– Opel/Vauxhall	503,000	−16.6	12.1	12.0
– Saab**	14,000	−23.2	0.3	0.4
Peugeot (incl. Citroën)	494,000	−19.3	11.9	12.1
Ford (Europe, US# & Jaguar)	491,000	−16.3	11.8	11.6
– Ford Europe	486,000	−16.5	11.7	11.5
– Jaguar	4,000	−3.8	0.1	0.1
Fiat (incl Lancia, Alfa Romeo, Ferrari Innocenti, Maserati)	491,000	−21.9	11.8	12.5
Renault††	438,000	−18.1	10.6	10.6
Nissan	145,000	−12.0	3.5	3.3
BMW	134,000	−17.4	3.2	3.2
Toyota	114,000	−1.5	2.7	2.3
Rover†	114,000	+9.2	2.7	2.1
Mercedes-Benz	112,000	−30.2	2.7	3.2
Mazda	78,000	−22.5	1.9	2.0
Volvo††	58,000	−26.0	1.4	1.6
Honda†	53,000	−17.2	1.3	1.3
Mitsubishi	51,000	−13.3	1.2	1.2
Total Japanese	507,000	−12.8	12.2	11.5
MARKETS:				
Germany	1,176,000	−20.1	28.3	29.2
Italy	760,000	−19.5	18.3	18.7
United Kingdom	589,000	+8.2	14.2	10.8
France	562,000	−19.8	13.5	13.9
Spain	239,000	−33.5	5.8	7.1

#Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.

Source : Industry estimates

France to renew sell-offs

By William Dawkins in Paris

THE French cabinet is due to table a draft privatisation law on May 26, to pave the way for an ambitious programme of state company sell-offs expected to start after the summer.

Terms and conditions will be similar to those in the last wave of wholesale privatisations, under the previous centre-right government of 1986-88, according to leaked details published by Figaro, the right-wing newspaper, over the weekend.

The government is hoping to raise up to FFr200bn (£24bn) over four to five years from the sale of recently restructured industrial companies, the largest round of privatisations attempted in France. Likely candidates include Elf Aquitaine, the oil group, Rhône-Poulenc in chemicals, Pechiney in aluminium, and leading banks and insurers.

The main difference from previous state sell-offs is that the government will create stronger takeover defences for privatised companies in sensitive sectors and will try to build loyal long-term shareholders, according to the leaked details.

As in 1986, foreign stakes in privatised companies will be limited to 20 per cent. On top of this, foreign buyers could now be required to make some form of pledge to be long-term shareholders.

One likely innovation is that private investors will be allowed to pay for privatised shares in instalments, a marketing device borrowed from British state sell-offs.

Companies 'rethink strategy'

RECESSION in Europe and the threat of protectionism world-wide are forcing companies to reappraise strategies adopted in the 1980s, according to a report published today by a group of European economic research institutes, writes Peter Norman, Economics Editor.

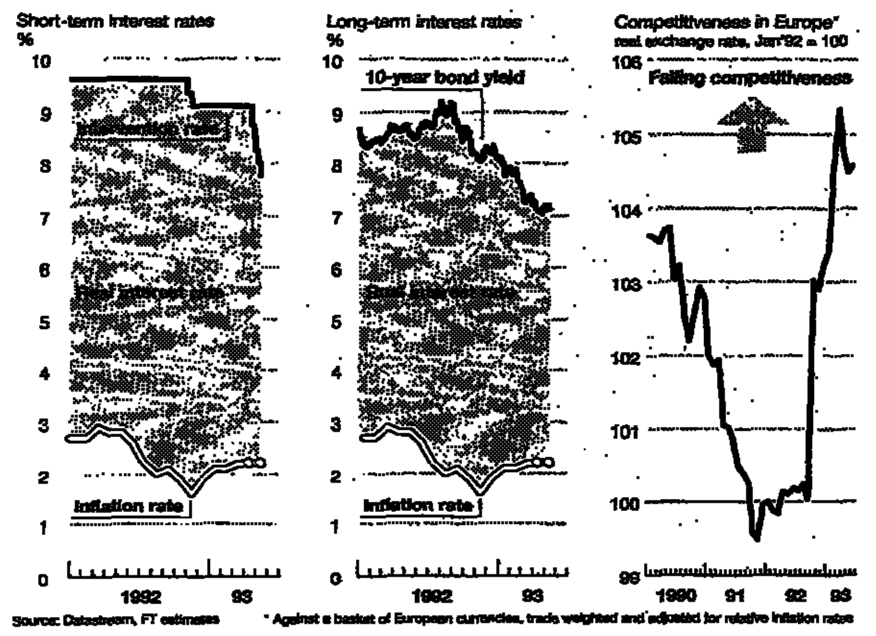
The ERECO consortium of research institutes from Germany, France, Italy, the Netherlands, Austria and the UK said niche market strategies designed to position European companies in less price-competitive markets had backfired as recession had hit demand for luxury products and forced big price cuts on industries.

The strategy of globalisation, highlighted by a five-fold increase in foreign direct investment between 1981 and 1991, could be imperilled if the world economy fragmented into trading blocks centred on the EC, Japan and the US, it added.

The report said European companies should strengthen their position in high-quality production rather than push further upmarket. It pointed out that Mercedes, the German car maker, has already decided to design new models to fit pre-defined price brackets rather than aim for the highest engineering standards.

Europe in 1997, Ecu1,400 or £1,100 from Cambridge Econometrics, Covent Garden, Cambridge CB1 2HS.

French economy continues to feel the squeeze



Source: Datastream, FT estimates * Against a basket of European currencies, trade weighted and adjusted for relative inflation rates

Franc fort policy wins the battle but not yet the war

SO THE French franc has survived. Last week's devaluations of the peseta and escudo within the European exchange rate mechanism confirm both the emerging two-tier structure of monetary relations in Europe and France's membership of the northern core of hard currencies which cluster around the D-Mark. But French industry will continue to pay a high price for some time yet before the *franc fort* policy can finally be declared triumphant.

French monetary policy has eased markedly in recent weeks as the pressure on the franc has eased. Official interest rates have been cut six times in six weeks: the latest ¼ point cut in the influential 5-10 day intervention rate to 7.75 per cent last Thursday brings the cumulative fall in official short rates to 1.85 percentage points since peaking in autumn. The more important three-month money market rate has fallen by nearly 5 percentage points since then, from its 12 per cent high.

Yet the real interest rate squeeze remains viciously tight. With annual consumer price inflation now barely above 2 per cent, short-term real interest rates are still well over 5 per cent, as the left-hand chart shows. They remain at least 2 percentage points higher than in Britain.

Nor are long-term real interest rates, more important for French fixed-rate borrowers, significantly less severe. Ten-year French bond yields are a little above 7 per cent, only half a point above German long rates. But if France's newly independent central bank is going to deliver German-style inflation rates over the next 10 years, then long-term French real rates are still very high. Nominal French long-term rates are now half a point lower than UK rates, but few investors are expecting a similar inflation performance from the dependent Bank of England.

French and German interest rates should fall further. But the loss of French trade competitiveness within Europe as a result of repeated devaluations by competitor currencies both within and outside the ERM will remain. More than 60 per cent of French exports are sold in European markets, of which half are sold outside the ERM's northern core. But, against a basket of European currencies, weighted by their share of French trade in Europe, the French franc has appreciated by 8.6 per cent since last September.

This blow to export competitiveness is partially softened by the slow pace of French inflation relative to the rest of Europe. But the French real exchange rate, which measures trends in export price competitiveness by adjusting for relative inflation rates, has still appreciated since last September by 4½ per cent within Europe, as the right-hand chart shows.

The assorted realignments in the ERM since last autumn have, as a result, reversed the hard-won gains in competitiveness that the *franc fort* policy had accumulated. Between the beginning of 1987 and last summer, French competitiveness in Europe had risen by nearly 4 per cent. This occurred almost entirely because France had managed to maintain lower inflation than its European competitors, albeit at the cost of slower growth and rising unemployment. But the trade-weighted appreciation of the franc since then has more than wiped out these gains.

These sacrifices have not necessarily been in vain. France does appear to have emerged from the ERM's recent turbulence with its inflation-fighting reputation substantially enhanced, in marked contrast to the UK. If the newly independent French central bank is able permanently to lock-in to inflation rates below 3 per cent, then this lost competitiveness can be quickly regained. But that implies more months of pain for French industry while economic growth in the UK, and in the other more inflation-prone countries of southern Europe, accelerates. The real test of the French political commitment to the *franc fort* policy begins now.

Edward Balls

CORRECTION. In the chart that accompanied international economic indicators on May 10, 1993, the label "national investment" in the top section should have read "national saving".

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	JAPAN Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	83.7	100.8	95.3	101.4	103.3	119.2
1987	105.6	100.7	103.8	96.7	74.9	101.2	92.5	103.1	100.6	123.3
1988	109.9	103.2	106.9	98.1	71.4	102.2	92.3	107.8	96.2	130.0
1989	115.2	108.5	110.0	98.9	75.0	104.9	94.2	114.0	96.1	122.1
1990	121.5	113.8	113.8	100.9	71.8	108.2	95.7	120.1	98.2	109.2
1991	126.6	116.3	117.3	103.5	71.3	111.8	96.8	124.4	101.6	116.2
1992	130.4	117.7	120.1	103.1	70.6	113.9	95.8	126.1	110.5	118.7
2nd qtr.1992	3.1	1.3	2.9	−0.5	71.2	2.6	−1.0	2.4	8.7	116.6
3rd qtr.1992	3.1	1.6	2.3	−0.1	68.1	2.0	−0.9	1.0	8.7	117.1
4th qtr.1992	3.0	1.5	2.0	−0.8	72.2	0.9	−1.2	0.2	9.4	122.1
1st qtr.1993	3.2	1.8	2.8	−1.7	74.3	1.2				126.2
May 1992	3.0	1.1	2.6	−0.7	71.4	2.3	−0.9	1.1	11.8	116.4
June	3.1	1.6	2.6	−0.3	70.0	2.5	−1.0	3.8	5.7	118.1
July	3.2	1.7	1.7	−0.2	68.5	2.0	−0.8	2.3	8.8	116.8
August	3.2	1.6	2.6	−0.4	67.7	1.8	−0.9	−1.5	11.4	115.4
September	3.0	1.6	2.5	0.3	68.1	2.2	−0.9	1.4	5.8	118.1
October	3.2	1.7	1.7	−0.4	70.3	1.2	−1.1	1.5	8.6	121.8
November	3.0	1.4	1.7	−1.0	73.1	0.8	−1.1	1.5	9.4	122.4
December	2.9	1.6	2.5	−0.9	73.3	0.9	−1.2	−0.7	10.3	122.3
January 1993	3.3	1.8	3.4	−2.1	74.4	1.0	−1.1	−2.7		122.0
February	3.2	1.8	2.5	−1.6	74.8	1.3	−1.0	1.8		126.4
March	3.1	2.0	2.5	−1.4	74.0	1.2	−2.3			130.0
April		2.4	2.6		72.5	0.9				133.2

	GERMANY Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	FRANCE Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.8	103.7	107.0	102.5	97.2	104.5	101.5	102.9
1987	100.1	95.1	108.0	106.9	110.5	105.9	97.8	107.8	103.0	104.1
1988	101.4	96.2	113.0	106.7	109.9	108.8	102.8	111.1	104.3	101.8
1989	104.2	99.3	117.3	107.7	108.4	112.6	108.4	115.4	106.5	99.8
1990	107.0	101.0	123.8	110.2	110.3	116.5	107.1	120.6	110.0	102.9
1991	110.7	103.4	131.8	114.7	108.4	120.2	105.8	125.6	114.3	101.3
1992	115.1	104.8		121.1	110.5	123.0	104.0	130.3		104.7
2nd qtr.1992	4.5	2.0	n.a.	3.8	108.7	3.1	−1.1	n.a.	1.8	103.3
3rd qtr.1992	3.5	1.0	n.a.	6.1	111.2	2.7	−0.9	n.a.	2.6	105.0
4th qtr.1992	3.7	0.5	n.a.	8.7	113.3	2.2	−1.5	n.a.		108.2
1st qtr.1993	4.3	0.5	n.a.		113.3	2.1		n.a.		109.1
May 1992	4.6	2.0		1.7	108.6	3.1	n.a.	–	n.a.	103.4
June	4.2	2.0		4.3	109.0	3.0	n.a.	3.8	n.a.	103.6
July	3.3	1.1		8.9	110.5	2.9	n.a.	–	n.a.	104.4
August	3.5	1.1		5.2	111.1	2.7	n.a.	–	n.a.	104.6
September	3.6	0.8		4.3	112.0	2.6	n.a.	3.5	n.a.	106.2
October	3.7	0.5		7.8	113.7	2.4	n.a.	–	n.a.	106.8
November	3.7	0.5		9.4	112.3	2.1	n.a.	–	n.a.	106.0
December	3.7	0.5		9.0	113.6	2.0	n.a.	3.6	n.a.	107.9
January 1993	4.4	0.8			113.4	2.1	n.a.	–	n.a.	108.5
February	4.2	0.5			113.4	2.1	n.a.	–	n.a.	109.6
March	4.2	0.3			113.2	2.2	n.a.	3.4	n.a.	109.2
April	4.3				113.1		n.a.	–	n.a.	109.9

	ITALY Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	UNITED KINGDOM Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	103.6	103.4	104.3	107.7	104.5	94.2
1987	111.0	103.2	111.6	105.5	104.9	107.7	108.3	116.3	105.9	94.2
1988	116.5	108.8	118.4	109.7	103.6	113.0	113.2	126.2	108.9	101.6
1989	124.2	113.1	125.6	112.4	107.4	121.8	119.0	137.2	113.6	100.9
1990	131.8	117.8	134.7	118.9	108.5	133.3	126.0	150.1	123.2	102.2
1991	140.3	121.7	147.9	131.3	107.7	141.2	133.0	162.4	130.3	105.8
1992	147.7	124.0	155.9		102.4	146.4	138.0	173.1	132.4	102.8
2nd qtr.1992	5.5	2.0	6.0	4.8	106.6	4.2	3.6	5.9	1.2	107.6
3rd qtr.1992	5.2	1.9	3.7		104.4	3.6	3.5	6.2	2.0	105.7
4th qtr.1992	4.8	2.2	2.9		93.0	3.0	3.4	5.7	−0.1	92.9
1st qtr.1993	4.3				85.9	1.8	3.7			92.7
May 1992	5.7	2.1	4.6	n.a.	105.6	4.3	3.5	7.0	2.4	106.1
June	5.4	2.1	4.7	n.a.	105.5	3.9	3.6	5.9	1.8	106.2
July	5.4	1.9	4.0	n.a.	106.2	3.7	3.6	6.2	3.0	107.8
August	5.2	1.9	3.5	n.a.	106.5	3.6	3.4	6.5	1.8	107.0
September	5.1	1.9	3.7	n.a.	100.4	3.6	3.4	5.7	1.1	102.3
October	4.9	2.0	4.1	n.a.	92.8	3.6	3.3	6.3	0.3	93.8
November	4.8	2.2	2.1	n.a.	94.7	3.0	3.3	5.6	0.1	91.3
December	4.6	2.5	2.4	n.a.	91.4	2.6	3.5	5.4	−0.7	93.4
January 1993	4.2			n.a.	88.0	1.7	3.6	5.0	−2.6	94.9
February	4.4			n.a.	86.0	1.8	3.7	4.9	−2.6	90.4
March	4.2			n.a.	83.8	1.9	3.7			92.4
April	4.2			n.a.	84.3		3.8			95.5

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by J P Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: J P Morgan real effective exchange rate index versus 15 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. Fall in index indicates improved international competitiveness.

Government faces calls for policy U-turns

By David Owen

THE GOVERNMENT is coming under intense pressure to follow last week's U-turns over school-tests and court fines with new climbdowns on rail privatisation and the collection of pension payments from post offices.

With prime minister John Major attempting to reassert his authority after this month's disastrous election results, the government is facing a determined effort to change its rail privatisation bill, spearheaded by a group of disaffected MPs in the ruling Conservative party.

It is also under pressure to back away from proposals which might compel pensioners to have payments made by automated credit transfers.

The Treasury is thought to be keen for more benefits to be paid in this way rather than being collected from post offices. Mr Major said last week the government aimed to "encourage" such transfers.

Mr Major acknowledged in his speech to last week's Scottish Conservative Conference that – with its Commons majority down to 18 – the government might well be forced into an occasional climbdown. "We may have to tack a little here, manoeuvre a little there. That's politics," he said.

The government is also facing the prospect of piloting a long and complicated finance bill through its committee stage – when MPs scrutinise the plans in detail – without having its revenue-raising proposals diluted.

After facing down attempts to amend its proposed reform of the North Sea tax regime and weathering a mini-rebellion over imposing value-added tax on domestic fuel, it is thought that proposed changes to the company-car tax system could provide another potential flashpoint.

The MPs backing changes to the government's planned rail privatisation intend to propose a series of amendments to the bill for consideration in the Commons next week.

Among likely amendments is one that would permit British Rail to bid against the private sector for rail franchises. Others would seek to guarantee that Travelcards and senior citizens' railcards would not fall victim to privatisation.

Tory MP Mr Keith Speed said yesterday the proposals were designed to make rail privatisation "popular and workable." None of them would undermine the principle of the bill, he said.

Hinting at a possible rebellion if the government showed no flexibility, he said his "strong hope" was for ministers to decide they could accommodate the changes.

Mr Tim Rathbone, another Tory backbencher, said the changes were "in no way" wrecking amendments. They were being suggested by MPs who favoured the privatisation process but had some qualms about the method.

Mr Peter Bottomley, a former junior minister, said the government needed to find an extra £500m a year for the railways for capital investment.

Rail privatisation may well be an issue in the forthcoming parliamentary by-election caused by the death of Mr Robert Adley, chairman of the cross-party transport select committee and a prominent critic of rail privatisation.

British Telecom to diversify into satellite TV sales

By Clive Cookson, Science Editor

BRITISH Telecom plans to make its first move into the fast-growing home entertainment market later this year, by selling dishes to receive BSkyB broadcasts from the Astra television satellite.

Entertainment is potentially the biggest avenue of diversification for BT, which is coming under increasing pressure from new competitors in its traditional markets of telephone and business communications.

BT is in the final stages of negotiation with two electronics companies to manufacture satellite dishes and associated equipment in the UK. They are expected to go on sale in the autumn.

The move will throw BT's marketing muscle behind BSkyB; the two companies are believed to be discussing a deal that would give each some access to the other's customers. Pearson, owner of the Financial Times, has a significant stake in BSkyB.

At the same time, BT will provide powerful new competition for Amstrad, Mr Alan Sugar's company, which so far has been the largest UK supplier of satellite dishes and receivers. BT is unlikely to undercut Amstrad's prices significantly but it is expected to compete on what it believes to be a superior record for product and service reliability.

According to the final FT Satellite Monitor, published last month, about 3.2m homes in the UK can now receive satellite TV – at least 2m through their own dish and the remainder by cable or community aerial.

UK sales of dishes and associated equipment are worth around £120m a year, not a large target for a company of BT's size. But BT wants to use it as a way into the huge new market emerging through the three-way "convergence" of entertainment, telecommunications and computing. Other signs of BT's ambitions are its home videophone launched last month and recent agreements with US and European electronics companies to develop personal computers with "multimedia" facilities.

Telecom executives are becoming increasingly impatient with the restrictions of BT's license, which does not allow them to provide entertainment channels. Competitors, on the other hand, can offer telephone services through cable TV networks.

The experience gained from selling and servicing satellite dishes and any associated marketing agreement with BSkyB would be useful preparation for the time when BT is permitted to use its fibre optic network for television.

Recent discoveries in optical electronics make it possible to send the millions of telephone calls down a single glass strand as a thin as a hair. As a result, the network is likely soon to have a vast excess capacity – and some BT executives would like to use it for new forms of entertainment such as interactive game shows that enable all the viewers to join in.

Action replay: Arsenal goalkeeper David Seaman gets to the ball ahead of Sheffield Wednesday player Mark Bright during Saturday's FA cup final, the showpiece of the English soccer season. The match, watched by an estimated worldwide audience of 250m, was criticised as lacklustre by commentators after it ended in a 1-1 draw. The teams meet again on Thursday for the replay

Bank predicts upswing in borrowing

By Emma Tucker, Economics Staff

BORROWING in international banking and capital markets will be boosted this year by substantial refinancing needs as debt issued in the late 1980s matures, and demand for funds from the public sector continues, according to the Bank of England's quarterly bulletin.

The Bank says borrowing in the international banking and capital markets more than doubled last year after falling sharply in 1991. But because a large part of the borrowing refinanced existing debt, net borrowing was broadly the same as in 1991.

Political uncertainties in Europe in the second half of the year, along with exchange rate and interest rate volatility, prompted investors to shift from the Ecu and high-yielding currencies to "safe havens" such as the dollar and the D-Mark, according to the bulletin, to be published tomorrow.

In the first six months of last year, when Europe appeared to be heading towards economic and monetary union, investors bought high-yield European bonds in the belief that convergence of European inflation and interest rates would provide capital gains.

Sentiment switched after Denmark rejected the Maastricht treaty and realignments of currencies in the European Exchange Rate showed that exchange rates "were not immutably fixed".

Elsewhere in the bulletin, the Bank says London remains the leading centre for international bank lending, ahead of Japan. Of the international business in London last year, the strongest growth was generated by EC banks, particularly French and German.

● The Bank is considering a new method for measuring monetary growth in the economy following widespread dissatisfaction with existing measures of the money supply.

The bulletin concludes that a "divisia" measure of money might have a closer relationship with total expenditure in the economy than conventional monetary aggregates.

Britain in brief

Reprieve for Swan Hunter on frigates

Price Waterhouse, receivers to Tyneside shipbuilder Swan Hunter, last night secured a short-term agreement from the the Ministry of Defence that work should continue on the Royal Navy's Type 23 frigates which are the company's main workload.

The announcement also said Swan Hunter's 2,200 employees in north east England should report for work this morning and confirmed there will be normal working at the company on the three frigates this week.

Keeping the frigates on the Tyne for outfitting could hold out a lifeline of securing more contracts and finding a purchaser for the company, which went into receivership on Thursday.

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Brussels to get new aid map

The government is expected this week to submit to the European Commission its redrawn assisted areas map, the subject of intensive lobbying by regions around Britain.

The map will specify areas in which companies can qualify for UK government and EC regional aid.

Publication was expected early this year. Last month the government said it was being delayed until after the May local elections. As the EC may take up to eight weeks to decide on ratification, publication may not be until July.

Spurs battle escalates

The battle between the two key shareholders at Tottenham Hotspur, the north London football club, escalated after it emerged that Mr Alan Sugar, the chairman, offered to buy the stake held by chief executive Mr Terry Venables.

Mr Venables, who owns 22 per cent of the company, is fighting the attempt to dismiss him and on Friday obtained a high court injunction reinstating him as chief executive until a hearing on May 25.

Mr Sugar, the electronics millionaire who owns 48 per cent of Tottenham, had offered to buy Mr Venables' stake at the price he paid for it. Mr Venables has invested about £3m in the club, buying most of his shares at 75p. If he received £3m that would be less than the £3.2m market value of the stake at Friday's closing price of 89p and it would also represent a loss on his financing costs.

Boom forecast in discounting

Discount retailing will remain the fastest-growing sector of UK retailing even when the recession is over, according to a report by Verdict, the retail research company.

Experience in the US and Germany, where discounting is far more developed even though they have stronger economies than Britain, suggests the UK is ripe for further expansion.

BR cuts back compensation

Money paid out to British Rail passengers whose trains are late or cancelled has dropped by more than half since the introduction of the Passenger's Charter.

Latest figures confirm predictions that the charter would leave passengers no better off than they were under the unpublicised refund scheme that existed before.

British Rail says it has not yet worked out how much compensation it has paid since the charter came into operation, but estimates that the figure is running at a little more than £3m a year. In 1991, the last year full year before the charter was introduced, British Rail paid out £7m – although that figure was boosted by disruption to services caused by what BR dubbed the "wrong kind of snow".

Demand grows on ferry routes

Cross-Channel ferry companies have enjoyed a busier than expected winter season. Sealink Stena reported a 16 per cent increase in passengers on the crossing in the first three months of 1993. The company carried 1.3m passengers, compared with 1.15m in the same period last year.

Its main rival, P&O European Ferries, carried 1.6m passengers on the Dover-Calais route.

THE WEEK AHEAD

ECONOMICS

Markets await UK unemployment data after recent fall in jobless

THE MARKETS will be on tenterhooks this week for Thursday's UK unemployment data. A third consecutive monthly fall in the jobless total may convince economists – unsure of how to interpret falls in February and March – that unemployment has stopped rising.

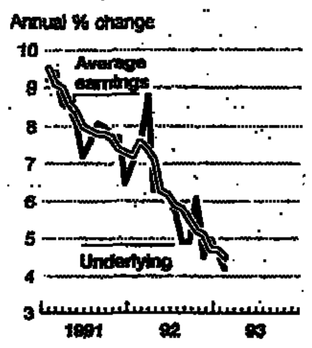
The consensus forecast for a rise of 15,000 month-on-month reflects widespread scepticism that unemployment has turned the corner so early in the recovery.

Most economists dismissed the seasonally adjusted falls in February and March as "a freak".

Incomes Data Services the independent pay and employment research group says there will be a sharp drop in the actual increase in average earnings in March. IDS's observation is based on the significant boost to earnings in March last year when fear of an incoming Labour government's plans for higher rates of tax prompted payment of a large amount of extra bonuses and salaries. The consensus for the underlying rate of average earnings, however, is for no change at 4.5 per cent.

Here are some of the week's other economic highlights. The figures in brackets are the median of analysts forecasts from MMS International, a financial information company.

UK average earnings



Source: Datastream

Today: Canada, March building permits (down 1.8 per cent on month), department store sales (down 1 per cent on year). Sweden, April unemployment rate (7.4 per cent).

Tomorrow: UK, April CBI distributive trades survey; Bank of England quarterly inflation report; March manufacturing output (up 0.2 per cent on month, up 2.2 per cent on year), industrial production (down 1 per cent on month). Denmark, referendum on Maastricht bill. US, FMOC meeting in Washington; April housing starts (1.2m), building permits; Johnson Redbook week ended May 15. Canada, March wage settlement increases (1.5 per cent). Japan, March machine orders (up 13.6 per cent on month), excluding electric power and ships (down 16 per cent on year); April trade balance, WPI (down 0.4 per cent on month, down 2.7 per cent on year). Australia, Reserve Bank of Australia May bulletin released.

Wednesday: UK, April retail sales (up 0.3 per cent on month, up 3.4 per cent on year), PSBR (£5bn). Germany, Bundesbank council meeting. France, March industrial production (down 1.5 per cent on month). Sweden, April trade balance (SKr4.8bn). US, March merchandise trade ($7.5bn deficit), exports ($37.7bn), imports (45.2bn). Canada, March merchandise exports (down 1.3 per cent on month), merchandise imports (down 1 per cent on month), merchandise trade surplus ($1.4bn); April advance department store sales (up 1 per cent on year). Australia, March manufacturing prices.

Thursday: UK, final stage of Maastricht bill in House of Commons; April unemployment (up 15,000); March average earnings (4.5 per cent), unit wages (down 2.8 per cent in three months to March). US, initial claims week ended May 15 (340,000); state benefits week ended May 8; May Philadelphia Fed Index; money supply data for week ended May 10. Japan, March industrial production, shipments.

Europe, markets closed in Belgium, Denmark, Finland, Germany, Luxembourg, Netherlands, Norway, Sweden, Switzerland.

Friday: UK, April RPI (up 1.2 per cent on month, up 1.5 per cent on year), excluding mortgage interest payments (up 3.1 per cent on year), M4 (up 0.6 per cent on month, up 3.7 per cent on year), M4 lending (up £2bn), building societies net new commitments (£3bn). US, April Treasury Budget ($9bn). Hong Kong, April CPI.

During the week: Germany, February trade balance, current account, capital account, long term capital account; April, WPI (flat on month), PPI (up 0.15 per cent month, up 0.15 per cent on year), M3 (up 4 per cent). Spain, March PPI. Netherlands, April unemployment. Italy, March WPI (up 4.5 per cent on year), PPI (up 3 per cent on year); Japan, May WPI - first 10 days.

Emma Tucker

RESULTS DUE

MARKS AND SPENCER, the UK food and clothing retailer, is expected to announce a rise in pre-tax profits from £627.2m to between £710m and £730m.

The average forecast of about £725m represents an increase of 16 per cent, but last year's figures were reduced by exceptional redundancy costs of almost £50m. Stripping these out, the profits increase is likely to be between 7 and 8 per cent, reflecting a considerable pick-up in sales in the second half, thanks partly to M & S's "outstanding value" promotions.

Storehouse, which includes the BhS and Mothercare chains, should report pre-tax profits on Thursday of about £13m to £15m, after exceptional items. As these are mainly one-off costs relating to disposals aimed at streamlining the business, analysts expect the City to pay more attention to the pre-exceptional figure, forecast at between £40m and £45m. That would represent a significant increase on last year's £15.8m when there were no exceptional items.

Hanson, the Anglo-US conglomerate, is expected to report tomorrow pre-tax profits of £500m for the six months to March 31. This compares with £488m under the old accounting rules which stripped out extraordinary items. Half year profits have been helped by around £25m of exceptional profits relating to disposals, the depreciation of sterling against the dollar and a good result from Cavenham Forest Industries in the US.

Whitbread, opening another round of brewers' results today, is expected to report pre-tax profits little changed from last year at around £222m. Volume growth for the group's beer brands is likely to be offset by margin pressures and increased marketing expenditure; but improved first half trading by the retail division has been maintained.

Full year results from Allied-Lyons today should show profits up from £610m to £618m, at the top end of market forecasts. The group's leading spirits brands have achieved further growth and on the retailing side, Victoria Wine and Dunkin' Donuts have had a good year.

Bass, on Wednesday, is expected to report a 5 per cent fall in interim profits to £245m against a restated £259m. Brewing profits are likely to show little change and retailing is still suffering from the reduction in pub numbers. Holiday Inn profits will benefit from the upturn in the US, but these gains will be partly offset by poor returns from the European operation.

British Airways is expected to report tomorrow lower profits of around £200m-£180m for its financial year ending March compared with £284m the previous year. The airline is also expected to launch a rights issue to raise up to £400m to strengthen its balance sheet at a time of difficult trading conditions and a series of significant equity investments in other international carriers.

PARLIAMENTARY DIARY

■ TODAY

Commons: Questions to Welsh ministers, Church Commissioners and the Lord Chancellor's Department. Backbench debate on sport. Cardiff Bay Barrage Bill, motion. Private business – British Waterways Bill, second reading.

Lords: Disability (Grants) Bill, all stages. High Court and County Courts Jurisdiction (Amendment) Order. Functions of Traffic Wardens (Amendment) Order. Merchant Shipping (Prevention of Pollution by Garbage) (Amendment) Order. Merchant Shipping (Prevention of Oil Pollution) (Amendment) Order. Debates on EC reports on common organisation of potato market and distance selling.

Select committee: 4.30pm, Public accounts – subject: use of simulators in training. Witness: Sir Christopher France, permanent under-secretary of state, Ministry of Defence (Room 15).

■ TOMORROW

Commons: Defence questions. Questions to the Prime Minister. Spring adjournment debate. Foreign Compensation (Amendment) Bill, remaining stages.

Lords: Disabled Persons (Services) Bill, report. Housing and Urban Development Bill, report. Protection of Animals (Scotland) Bill, third reading. Insurance Companies (Cancellation) Regulations.

Select Committees: 10.30am, Social security – subject: Operation of pension funds. Witness: Arthur Andersen (Room 15).

11am, Treasury and civil service sub-committee – subject: role of the civil service. Witnesses: Council of Civil Service Unions (at 11); Dr William Plowden (at noon) (Room 8).

■ WEDNESDAY

Commons: Trade and Industry questions. Debates opened by the Opposition on "automated credit transfer and the threat to sub-post offices" and "the destruction of Britain's defence industrial base".

Lords: Debates on case for a democratic socialist society, the Lords' parliamentary role and talks on EC Agri-Environmental measures.

Select committees: 9.15am, Environment – subject: energy efficiency in buildings. Witness: to be confirmed (Room 21).

10.15am, Parliamentary commissioner for administration – subject: the powers, work and jurisdiction of the ombudsman. Witnesses: British Medical Association and Joint Consultants (Room 19).

10.30am, Trade and Industry – subject: British aerospace industry. Witnesses: Mr Jonathan Aitken, defence procurement minister, and MoD officials; Westland Group (at noon) (Room 15).

3.15pm, Social security – subject: operation of pension funds. Witnesses: Clay & Partners Pension Trustees; MCP Pension Trustees; MGN Pension Trustees; Law Debenture Trust Corp. (Room 18).

4pm Transport – subject: London bus deregulation. Witnesses: London Buses subsidiaries; Department of Transport; London Transport; Metropolitan Police; the traffic director for London (at 5pm) (Room 17).

4.15pm, Employment – subject: operation of employment legislation governing industrial disputes. Witnesses: Mr Roger Lyons, general secretary, MSF; Mr Howard Davies, director general, CBI (Room 15).

4.15pm, Environment – subject: DoE, Property Holdings and PSA estimates 1993-94 and DOE annual report 1993. Witnesses: Environment Department (Room 6).

4.15pm, Health – subject: state of the public health and medical manpower planning. Witness: Dr Kenneth Calman, chief medical officer, Health Department (Room 8).

4.15pm, Public accounts – subject: inheritance tax. Witness: Sir Anthony Battishill KCB, chairman, Board of Inland Revenue (Room 16).

4.45pm, Science and technology – subject: routes through which the science base is translated into innovative and competitive technology. Witness: Sir Robin Nicholson, chairman of the advisory council of Science and Technology (Room 20).

■ THURSDAY

Commons: Northern Ireland questions. Questions to the Prime Minister. European Communities (Amendment) Bill, third reading.

Lords: Housing and Urban Development Bill, report. Local Government (Overseas Assistance) Bill, committee. Merchant Shipping (Registration) Bill, second reading.

Select Committees: 11am, Foreign affairs – subject: Unesco. Witness: Dr Federico Mayor, director-general, Unesco (Room 8).

■ FRIDAY

Commons: Debate on Government support for exporters.

Lords: Not sitting.

UK COMPANIES

■ TODAY

COMPANY MEETINGS:

Arjo Wiggins Appleton, Park Lane Hotel, Piccadilly, W., 12.00

Bowthorpe, Howard Hotel, Temple Place, Strand, W.C., 9.00

Celestion Inds., Hotel Britannia Inter-Continental, Grosvenor Square, W., 12.00

Goal Petroleum, Oriental Club, Stratford Place, W., 12.00

Savoy Hotel, Savoy Hotel, Strand, W.C., 12.00

BOARD MEETINGS.

Finals:

Allied-Lyons
Baring Stratton Inv. Tst.
Berry Birch & Noble
British Inv. Tst.
Foreign & Col. German Inv.
Govett American Fd.
Hartons
Whitbread

Interims.

M & G
SEP Indl.

■ TOMORROW

COMPANY MEETINGS:

BAT Inds., Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 12.00

Brake Bros., Painters Hall, Little Trinity Lane, E.C., 11.30

Densitron Intl., Armourers' Hall, 81, Coleman Street, E.C., 12.00

Pleons, London Hilton Hotel, 22, Park Lane, W., 11.00

Page (Michael), 39-41, Parker Street, W.C., 10.30

River & Mercantile American Cap. & Inc. Tst., Connaught Rooms, Great Queen Street, W.C., 11.00

Secure Trust, 35, Newhall Street, Birmingham, 12.30

Sphere Inv. Trust., City of London Club, 19, Old Broad, Street, E.C., 12.00

Steel Burrill Jones, Trinity House, Tower Hill, E.C., 11.00

BOARD MEETINGS:

Finals:

British Airways
Elswick
Hartlepools Water
Marks & Spencer

Interims:

Archimedes Inv. Tst.
BOC
Bass
Concentric
Diploma
Fenner
Hanson
Yorkshire-Tyne Tees TV
Young (H.)

■ WEDNESDAY MAY 19

COMPANY MEETINGS:

GKN, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00

Great Southern Group, Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 4.30

Int. Business Comms., Langham Hilton Int. Hotel, 1, Portland Place, W., 12.00

Legal & General, Temple Court, 11, Queen Victoria Street, E.C., 2.30

Reckitt & Colman, Connaught Rooms, Great Queen Street, W.C., 11.15

Slough Estates, Claridges, Brook Street, W., 12.00

Sun Alliance, Insurance Hall, 20, Aldermanbury, E.C., 12.00

Transfer Technology, Royal National Hotel, Bedford Way, W.C., 11.00

Willis Corroon, 10, Trinity Square, E.C., 12.00

BOARD MEETINGS:

Finals:

Barla Hldgs.
Chamberlin & Hill
El Oro Mining & Expln.
Exploration Co.
French Connection
Gates (Frank G.)
Gerrard & National
Land Securities
M & G Recovery Inv. Tst.
Young & Co's Brewery

Interims:

Acatos & Hutcheson
Baggeridge Brick
Compass
Dunedin Worldwide Inv.
Group Dev. Capital Tst.
Leeds
M & G Inc. Inv. Tst.
New Zealand Inv. Tst.

■ THURSDAY MAY 20

COMPANY MEETINGS:

Abbeycrest, St Paul's House, Park Square, Leeds, 4.00

Anglia Television, Anglia House, Norwich, 12.00

Ash & Lacy, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 10.30

Ashley (Laura), Carno Community Centre, Carno, Powys, 10.00

BTR, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.30

Brent Chemicals, Sheraton-Skyline Hotel, Bath Road, Hayes, 3.30

Central ITV, Central House, Broad Street, Birmingham, 12.00

Dolphin Packaging, Fleets Lane, Poole, Dorset, 12.00

Epwin Group, Customer Support Centre, Profile 22 Systems Ltd., Stafford Park 6, Telford, 12.00

Erith, Chartered Accountants Hall, Moorgate Place, E.C., 12.00

Grampian Hldgs., Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00

Hepworth, Institute of Directors, 116, Pall Mall, S.W., 12.00

Jerome (S.), Victoria Works, Shipley, 11.00

Laing (J.), Dacorum District Council Pavilion, Marlowes, Hemel Hempstead, 2.15

Liberty, 25, Great Marlborough Street, W., 12.00

Rathbone Bros., Goring Hotel, 15, Beeston Place, S.W., 2.30

Redland, Plaisterers Hall, 1, London Wall, E.C., 12.15

Sharpe & Fisher, Pittville Pump Room, Evesham Road, Cheltenham, 12.00

Trade Indemnity, 12-34, Great Eastern Street, E.C., 12.00

BOARD MEETINGS:

Finals:

Airflow Streamlines
Drayton Blue Chip Tst.
Drayton English & Intl.
Ferguson Intl.
King & Shaxson
Kunick
Martin Currie Euro. Inv.
Merchant Retail
New Throgmorton Tst.
Scottish Power
Smith St. Aubyn
SturminStorehouse
Westbury
York Waterworks

Interims:

Hunterprint
Southern Radio

■ FRIDAY MAY 21

COMPANY MEETINGS:

Booker, Barber-Surgeons Hall, Monkwell Square, E.C., 3.30

Calver Hldgs., Copthorne Hotel, Culverhouse Cross, Cardiff, 12.00

Dawsongroup, 135, Bishopsgate, E.C., 12.00

Derwent Valley Hldgs., Durrants Hotel, George Street, W., 12.00

Next, Institute of Directors, 116, Pall Mall, S.W., 10.45

Spear (J.W.), Richard House, Enstone Road, Enfield, 12.00

Tudor, Pedmore House, Ham Lane, Pedmore, Stourbridge, W. Midlands, 12.00

Weir Group, Merchants Hall, George Square, Glasgow, 12.00

BOARD MEETINGS.

Finals:

Mezzanine Cap. & Inc. Tst.
Ocean Wilsons
Worth Inv. Tst.

Interims:

Albion
Richards

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Akzo Fl.15
Do. Bearer Certs Fl.15
Aon Corp. $0.45
Arcolectric 0.555p
Do. A N/Vtg. 0.555p
Chase Manhattan $0.30
Colgate-Palmolive $0.31
Commercial Union 15.1p
Commonwealth Bank of Australia 9¾% Nts. 1996 A$97.50
Courtaulds Textiles 8.2p
Drive Securities Class A Flg. Rate Nts. 1996 £163.37
Do. Mezzanine Flg. Rate 1996 £182.88
Electricite de France 11¼% Gtd. Ser. Ln. 2009-12 £293.75
Export-Import Bank of Japan 10¾% Gtd. Bd. 2001 £107.50
Golden Hope Plants M$0.04
Halifax Bldg. Scty. Flg. Rate Ln. Nts. 1994 £79.18
IMI 5.8p
Intl. Bank for Reconstruction & Dev. 11¼% Nts. 1995 £112.50
Japan Dev. Bank 10% Gtd. Nts. 1995 $500.0
JIB 5p
Manchester United 6p
Marsh & McLennan $0.675
More O'Ferrall 10p
Natl. & Provincial Bldg. Scty. Flg. Rate Nts. 1993 £157.90
NatWest Bank Junior Gtd. Flg. Rate Nts. $126.39
Nationwide Bldg. Scty. 11¼% Nts. 1995 £562.50
Ottawa-Carleton (Regional Municipality) 9¾% Db. May 1998 C$93.75
Do. 9⅝% Db. May 2006 C$96.25
Royal Bank of Scot. Flg. Rate Nts. 2005 £78.69
Scholl 3.7p
Shell Trans. 12.6p
STB Fin. Cayman Gtd. Sb. Fixed/Flg. Rate Tranche A Nts. 2003 $1814.24
Sweden (Kingdom of) 8⅜% Nts. 1993 DKr837.50
Treasury 9% Ln. 1994 £4.50

■ TOMORROW

ASW Hldgs. 3p
Avco Tst. 10¾% Gtd. Nts. 1995 £107.50
Bank of Scot. Und. Flg. Rate Prm. Cap. Nts. $204.25
Britannia Bldg. Scty. Flg. Rate Nts. 1995 £153.51
Chase Manhattan Flg. Rate Sb. Nts. 2000 $123.61
Coats Viyella 4.25p
Dowflex 3p
First Chicago Flg. Rate Sb. Cap. Nts. Feb.1997 $129.79
Gen. Motors Acceptance Corp. 10% Nts. May 1994 $500.0
Lloyds Bank Ser.B Var. Rate Sb. Nts. 1998 £169.16
Midland Bank Sb. Flg. Rate Nts. 2001 £78.66
Minerals Oils & Res. $0.18
NatWest Bank Und. Var. Rate Nts. £170.68
Stora SKr6.5
Treasury 10% 2004 £5.0
Wells Fargo Flg. Rate Sb. Cap. Nts. 1998 $83.44
Woolwich Bldg. Scty. Flg. Rate Nts. May 1994 £155.45

■ WEDNESDAY MAY 19

Anglo-Eastern Plants. 1p
Argos 4.5p
Capital Inds. 2.4p
Dewding & Mills 0.92p
East German Inv. Tst. DM0.005
Eksportfinans 9⅛% Nts. 1993 £91.25
Export-Import Bk. of Japan 9¾% Gtd. Bd. 1999 $487.50
Exchequer 9% 2002 £4.50
Hornby 9p
Life Sciences 2.35p
Lonrad 2.25p
Treasury 10½% 1999 £5.25
Wellcome 9¾% Bd. 2006 £97.50

■ THURSDAY MAY 20

Assoc. Fisheries 7p
Ben Bailey Cnstrctn 0.25p
Blue Circle 6¾% Sb Cv Bd. 2002 £58.75
BPP Hldgs. 5.3p
Britannic Assurance 23.2p
Burn Stewart Distillers 1.7p
Caterpillar $0.15
Cowie (T) 4.25p
Exchequer 12% 1998 £5.125
Goal Petroleum 1.4p
Japan Dev. Bank 8% Gtd. Nts. 1994 $400.0
Laporte 12.5p
MY Hldgs. 0.25p
Portugal (Rep.of) 9% Ln. 2016 £225.0
Prestwick Hldgs. 0.5p
Treasury 2½% IL 2003 £2.2124
Treasury 2½% IL 2009 £2.2124
United Friendly 9.6p
Do. B (Rest/Vtg.) 9.6p
Wates City of Lon. Props. 6⅝% Bd. 1994 £687.50
Wells Fargo $0.50
Wetherspoon (J.D.) 1.6p

■ FRIDAY MAY 21

Abbeycrest 2p
Bankamerica Flg. Rate Sb. Cap. Nts. 1997 $123.81
Bluebird Toys 4.5p
British Dredging 2.6p
Canon 5.8% Nts. 1996 Y580000.0
Do. 5.85% Nts. 1997 Y585000.0
CSR Fin. 13¼% Gtd. Nts. 1993 A$132.50
EBC 2.25p
Emess 0.1p
GN Great Nordic DKr12.0
Do (Br) DKr12.0
Greggs 10p
Hasbro $0.08
Home Counties News 3.25p
Lloyd Thompson 2p
Mallett 2p
Mayflower 0.85p
Medeva 1.5p
Merchants Tst. 2.65p
Pressac 0.75p
Psion 1.5p
Royal Bank of Can. C$0.29
Sime Darby M$0.035
Thailand Int. Fd. Ptpg. $0.30
UDO Hldgs. 2.07p
Unilever 16.13p
Unilever NV Fl.4.30
Treasury 12½% 2003/05 £6.25
Wassall 1.7p

■ SATURDAY MAY 22

Conversion 10¼% 1999 £5.125
European Inv. Bank 10⅜% Ln. 2004 £259.375
Lec Refrigeration 5p
TSB Offshore Inv. Fd. Ptpg. Rd. Pf. 1.39p
Do. Gilt & Fixed Ptpg. Rd. Pf. 1.715p
Do. Int. Bd. Ptpg. Rd. Pf. 2.78p
Do. Sterling Dep. Ptpg. Rd. Pf. 1.55p
Do. Equity Ptg. Rd. Pf. 1.16p
Treasury 2½% IL Cv '99 £2.1288
Treasury 14% 1998/2001 £7.0

■ SUNDAY MAY 23

Sunderland (Borough of) 11¾% Rd. 2008 £5.875
Trinidad & Tobago (Rep.of) 12¼% Ln. 2009 £6.125

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CONSTRUCTION CONTRACTS

London housing scheme

BOVIS CONSTRUCTION, the P&O company, is to assist Waltham Forest Housing Action Trust to manage a £200m demolition and rebuilding programme in east London.

Preconstruction work on the development of four large system-built housing estates in the borough of Waltham Forest is already under way.

The government-sponsored HAT scheme involves demolition of 1960s/70s tower and slab blocks, to be replaced by low rise housing.

Social housing

JOHN MOWLEM HOMES, part of the John Mowlem Group, has won a £26m project for a mix of social and low cost private housing at sites B and C of Blackbird Leys, on the south side of Oxford.

The £16m social housing development, one of the largest of its kind in the south, is for a consortium of housing associations led by Ealing Family Housing Association and the City of Oxford, which is the enabling authority.

The project covers an area of 22 acres and comprise 446 dwellings, of which 38 are for special needs and 60 for shared ownership, together with a community centre, shop, play areas, a linear park and infrastructure.

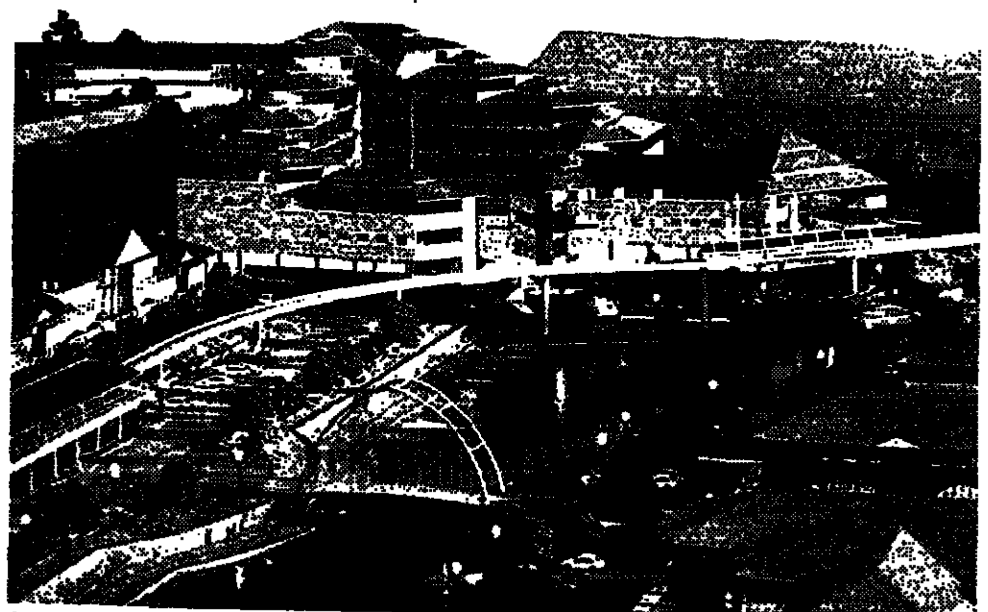
A further 11 acres adjacent to the development have been acquired by Mowlem from the city to build for private sale more than 200 one, two and three-bedroom houses.

Computer plant

MILLER CONSTRUCTION has won the contract to design, manage and build a £20m computer assembly facility at Faulds Park, Gourock. The plant will be occupied by the computer electronics manufacturer Mimtec.

Using "fast-track" construction methods, the facility, located on the side of a hill on former farm land overlooking the Firth of Clyde, will be completed by the end of this year. At its peak, the project will lead to the creation of 200 jobs by Miller Construction.

Midlands office development



One of the more spectacular office blocks in the Midlands - Point North - is being built at Brierley Hill, Dudley.

The £8.4m design and build contract for the *building (pictured above)* has been awarded to **TARMAC CONSTRUCTION** by Richardson Developments.

Point North will stand at the heart of the £200m Waterfront office complex on the 300-acre former Round Oak steelworks site, now an *enterprise zone*.

The 96,000 sq ft building will cascade down through six stepped storeys to the edge of the inland waterways marina at the heart of the Waterfront.

Point North will enclose a quiet courtyard which will open on to landscaped terraces by the waterside.

The architecture is enhanced with tinted glazing, pitched roofs and circular glass columns. A three-storey circular drum, highly glazed and with external balconies, will accommodate a conference suite.

£170m site rationalisation plan

HEERY INTERNATIONAL, a Balfour Beatty company, has been appointed project manager for the major part of a site rationalisation plan which is being undertaken by the Defence Research Agency, an agency of the Ministry of Defence. The total cost of the works to be managed under this contract is £170m.

The DRA has a total of 54 operational sites throughout the country. About 30 of these sites are permanently manned and house nearly 11,000 staff of which almost half are employed on support services. The DRA plans to invest significantly in eight primary sites, substantially to consolidate activities on three others and to vacate 15 sites; the work is required to improve efficiency.

Work will involve project managing the design and construction of laboratories, research facilities, workshops and office accommodation at the eight sites: Aquilla, Farnborough, Haslar, Portsdown West, Pyestock, Rosyth, West Drayton and Winfrith. The company will also be responsible for the transfer of staff and facilities to these sites.

Motorway project in North Yorkshire

AMEC has secured three new projects with a total value in excess of £100m. The largest, in joint venture with Alfred McAlpine, is a £54m contract to build a 21km section of the A 1(M) between Walshford and Dishforth in North Yorkshire.

The joint venture will build the new three lane carriageway to the west of the existing A1, upgrading this stretch of the route to motorway standard. The project represents the first milestone in the government's 1990 proposals to upgrade the entire A1 between the M25 and Tyneside.

The second is from British Gas West Midlands, which has awarded AMEC Utilities four period contracts estimated to be worth in the region of £33m. Running for a fixed period of three years, the work will cover the whole of the West Midlands area and involves replacement of mains and services and installation of services.

The last is a £20m contract for AMEC in Singapore, in joint venture with local company MAE Engineering, for the Pontiac Marina project.

The contract involves mechanical and electrical services, air conditioning, fire protection and pool and fountain installations.

The project is due for completion in October 1995 and consists of a 41-storey office tower, a retail podium and two car park levels. The contract was awarded by main contractor Dragages et Travaux Publics Pte.

PEOPLE

Euromarkets veteran turns to NatWest

John Sanders, a familiar figure in the Euromarkets in the mid 1980's, is to resurface at NatWest Markets, where, with the title of managing director, he will be responsible for client marketing and business development on the investment banking side, reporting to chief executive Martin Owen.

Sanders, 50, agrees the job, which he starts in July, will be "very different" from his current assignment as chairman of Royal Bank of Canada Europe, but he also believes he is joining "an enormously powerful institution in its infancy".

NatWest recently merged its wholesale businesses - treasury, corporate and investment banking - under the one umbrella.

He says he is looking forward to working with clients without direct line-management responsibility.

After seven years with Royal Bank of Canada he had reached a natural parting point, he adds.

John Howland-Jackson, who arrived three months ago from Nomura as senior managing director in charge of investment banking, says he and Sanders will work very closely together.

The two already know each other well, "having both lived in the Euromarkets for the last 20 years." Howland-Jackson adds: "This elevates our marketing to a higher level. We have got more technical investment banking skills than some people imagine, but because of our origins in retail banking, we are not blessed with an oversupply of executives experienced in dealing at the most senior level in investment banking matters.".

Having run international capital markets at S G Warburg, and been the first chairman of the International Primary Markets Association, Sanders moved to the Royal Bank of Canada group, initially as chairman and chief executive of Orion Royal Bank.

He then entered a phase during which, as he agrees, he "did alot of closing down" - notably Orion's Eurobond and gilt-edged securities business followed later by stockbrokers Kitkat & Aitken.

Hans-Jürgen Schinzler, 52, chairman of the board of management of Munich Re, has been appointed a non-executive director of S G Warburg Group.

He succeeds Horst Jannott, who died in February.

Ewan Marwick

Ewan Marwick, ceo of Glasgow Chamber of Commerce, has died in a car crash in Moscow. He was one of the best known figures in Scottish business.

Marwick, who was 41, had run the chamber since 1982. He was a high profile figure, and an energetic lobbyist. He spearheaded a long-running campaign to persuade the government to remove Prestwick airport's status as the sole gateway for transatlantic flights from Scotland. The campaign was finally won in 1990, against considerable opposition from some Conservative ministers, and several new air services immediately began between Glasgow airport and the US.

Marwick was also a leading campaigner to have non-domestic rates in Scotland reduced to English levels. The government began harmonising Scottish and English business rates in 1989, but Scotland's disadvantage has not yet been eliminated.

In 1990 Marwick stood unsuccessfully as the Conservative party candidate in the Paisley North by-election, and nurtured ambitions to go into national politics.

Graduated in economics from Edinburgh university, he began his career advising Shetland Islands Council, before joining the Royal Institution of Chartered Surveyors in Scotland as assistant secretary.

He was in Russia on a mission to advise the Rostov-on-Don region on economic development.

Associating chemicals with electricity

The Electricity Association, the trade association which represents both the privatised and nationalised parts of Britain's electricity industry, has switched to the chemical industry for its next leader.

Philip Daubeney, 55, who has spent 32 years climbing the ICI management ladder, is to take over as chief executive from Roger Farrance who retires, at 60, in November.

A history graduate of Balliol, Oxford, Daubeney has come up on the commercial side of ICI and is currently regional chief executive of the African and Eastern region.

The Electricity Association is one of Britain's youngest trade associations, having been born out of the rump of the old Electricity Council which used to oversee the nationalised industry. Only three years old, it has had some difficulty adjusting from being master of the industry to being its servant.

Although it has a mere 20 members and four associates, it employs around 200 people. In addition to providing the traditional services of a trade body, the association also continues to supply common services to the industry.

The decision to recruit the association's next chief executive from outside the electricity industry is another sign of the radical changes that have taken place since the demise of the old Electricity Council.

Daubeney says that there are some similarities between the industry he is leaving and the one he is joining.

They are both capital intensive and he believes that the electricity industry may soon have to confront exactly those environmental issues with which the chemical industry has already been grappling.

■ Peter Owen, a former director of operations with British Airways from 1985-90, has been appointed as the new chief executive at AER LINGUS, Ireland's loss-making flag carrier, in a management reorganisation leading up to the rationalisation plan expected to be announced within the next month.

He fills the gap left by Cathal Mullan, who resigned two months ago after Aer Lingus chairman Bernie Cahill was appointed executive chairman by the government, with full powers to plan and implement the rationalisation plan.

Owen only joined Aer Lingus five weeks ago, as chief executive for passenger services. Now he has responsibility for all aspects of the group's business with the exception of finance, which continues to be handled by Sam Young. Both will report directly to Cahill.

The appointment has streamlined Aer Lingus' management by reducing the number of chief executives from six to two. The group's commercial holdings, air maintenance and hotels divisions will be managed now by Larry Stanley, who will report to Owen.

After his departure from British Airways in 1990, Owen was chief executive of Innocan Inc, a Canadian holding company with businesses in textiles, distribution, communications and specialist cleaning and consultancy sectors.

■ Jim Kane, a director of Bovis Construction, is elected chairman of the BUILDING EMPLOYERS CONFEDERATION.

■ Sir Angus Fraser, a former chairman of HM Customs & Excise, is the next president of the BRITISH INTERNATIONAL FREIGHT ASSOCIATION.

MANAGEMENT

The recent management buyout of Leyland Daf's truck plant in Lancashire has been accompanied by sweeping changes in UK labour practices. In return, however, shop-floor inequalities are ending with the introduction of a common car park and replacement of the weekly wage with annualised salaries for all.

At Imperial Chemical Industries harmonising manual and staff benefits has proved crucial in securing workforce acceptance of radical productivity agreements. While recent deals at Power Gen, National Grid and National Power, as well as at the regionally based water companies, have included new integrated pay structures, a commitment to performance-related pay and standardised terms and conditions of employment.

Eradicating the differences in treatment between blue- and white-collar employees has become an essential ingredient in the current wave of company restructuring. The trend towards harmonisation has not yet become an irresistible workplace revolution – but no comprehensive shake-up in any large- or medium-sized industrial enterprise now seems complete without such changes being contemplated.

Non-manual work in Britain has traditionally meant not just higher social status than that enjoyed by manual jobs. It has also implied better job security, longer holidays and a shorter working week, more generous pension and sick-pay provision, incremental pay scales and greater chances of promotion. Archaic class attitudes of "them" and "us" have served to accentuate such distinctions and made them more durable than in other countries.

Commercial pressure, changing technologies and trade union influence are all behind the harmonisation trend. "This development is not happening because employers have suddenly decided it is morally wrong to treat their manual workers as inferior to their staff," explains Helen Murlis at Hay Management, the consultancy group. "It is cost driven as companies become more competitive and need the co-operation of employees in the often drastic changes at work which they need to make to survive."

Argues Robert Price at the Economic and Social Research Council: "Market pressures are calling into question the logic of the traditional status divisions within the enterprise based on 19th century conditions and outdated assumptions about the nature of work."

But other factors are at play. Harmonisation is also being encouraged by microprocessor-based technological innovation in manufacturing.

The differences between blue- and white-collar employees are disappearing, writes Robert Taylor

Rubbing out the dividing line

This has heightened the demand for more flexible multi-skilling teamwork and the removal of old demarcation lines and restrictive labour practices.

While recent moves stem mainly from managerial initiatives among companies under global competitive pressure, trade unions have been pressing hard as well.

The Transport and General Workers Union, for example, launched a campaign at Shell demanding "equality of opportunity for all" with what it called the "removal of out-dated divisions between blue- and white-collar workers". Fred Higgs, the TGWU's chemical industry officer, says this was "a pre-emptive move" to persuade the company not to individualise employment contracts and scrap collective bargaining. It showed the union was ready to embrace and not resist greater job flexibility.

The AEEU engineering union is enthusiastic about the greenfield single union deals it has signed since 1988. Its electrical section – once the EETPU – has also pressed hard for an end to workplace status divisions in its recruitment offensive in the electronics sector.

The current batch of company restructuring agreements, however, presents a mixed picture. In some areas there has been substantial progress, but in others there has been much less and in some cases gaps in status may have widened.

Price warns that harmonising may not make much advance outside large- and medium-sized companies in manufacturing. The commitment in management time can be expensive and may take years to show any return in performance. Smaller companies often lack the financial resources or the will to introduce harmonisation.

Single-status canteens and car parks have become much more common than 10 years ago

Moreover, the deregulation of the labour market with the growth in contracting out of services is a countervailing trend. New forms of workplace inequalities threaten to emerge between workers in the core and those working on the margins.

The following is a summary of recent trends:

- **Pay.** Many recent agreements have introduced integrated wage systems that unify all employees around a common pay spine from management to office cleaners.
- **Individualised arrangements.** Payment by results, bonuses and merit money are rare across the company spectrum. The government's latest commissioned workplace relations survey, for example, found that 31 per cent of secretarial and clerical staff and 46 per cent of middle and senior management were receiving merit pay. But only 10 per cent of unskilled manuals and 22 per cent of skilled manuals were offered such remuneration. But 47 per cent of skilled manuals received some form of incentive pay (mainly payment by results) against only 38 per cent of clerical and secretarial staff and 28 per cent of unskilled manuals.
- **Method of payment.** Unpublished data from the government survey reveals a significant decline in the number of workers paid in cash each week. In 1980 only 6 per cent of blue-collars were paid monthly and a mere 21 per cent by either a cheque, giro or bank transfer. Ten years later 23 per cent of manual workers were paid monthly and 72 per cent did not receive their wages in cash.
- **Hours of work.** More companies are increasing flexibility for manuals and replacing the standard five-day, 37- or 40-hour week, plus overtime with a variety of seven- or six-day shift systems and annualised hours. But manual workers still work longer hours than staff. As many as 59 per cent of white-collars work less than 37 hours a week, against 20 per cent of manuals. By contrast the latest Hay survey of employee benefits shows that 44 per cent of manual workers work more than 38 hours a week, against only 3 per cent of non-manuals.
- **Timekeeping.** Traditionally manual workers have had to clock on and off at the workplace. In some recent pay deals time measurement has been dropped or modified. The government's workplace survey found that 80 per cent of private manufacturing establishments insisted their manuals signed on and off at work, the same figure in 1990 as in 1980. Over the period the number of white-collar staff required to do so rose from 8 per cent to 13 per cent.
- **Holidays.** The latest CBI survey in 1992 found little variation between workers in their entitlement. In companies employing between 5,000 and 20,000 workers, 41 per cent of manual dayworkers received 25 days and under, compared with 45 per cent of white-collar staff.
- **Health care.** The Hay survey shows 41 per cent of manual workers in health discount schemes and 22 per cent of manuals in deals where the company pays part or all of the cost of health care. This contrasts with 33 per cent of white-collars who are covered in discount plans and 47 per cent where the company pays all or part of the cost.
- **Pensions.** Occupational pension schemes are increasing. But the latest General Household Survey reveals continuing disparities. While 26 per cent of employers and managers have an occupational and personal pension, the same applies to only 3 per cent of unskilled manuals, 19 per cent of skilled manuals and 10 per cent of clerical staff. The Hay survey shows only 9 per cent of manuals are covered by a non-contributory pension scheme, against 15 per cent of staff.
- **Sundry items.** Single-status canteens and car parks are more common. Profit-sharing and share-ownership schemes have also moved outside the ranks of management.

Quick off the mark if disaster strikes

Lucy Kellaway and Vanessa Houlder look at contingency planning

Recent bomb attacks on both sides of the Atlantic gave an added twist to two events in London last week.

One was a visit on Friday from Charles Maikish, director of New York's World Trade Centre, who went out of his way to praise the local response to the disaster in February.

Maikish said that the Port Authority of New York and New Jersey, the centre's landlord, employed stress counsellors in the lobbies, issued bulletins to tenants about the safety standards in the building, which included certificates of the building's structural integrity, and held daily press conferences in an effort to keep tenants and the public informed.

The need to reassure its 350 commercial tenants was seen as paramount by the Port Authority. "We were very vulnerable to tenants looking for release from their leases," said Maikish.

In order to mitigate any economic impact on the tenants the Port Authority organised the temporary relocation of tenants, paid their moving costs, and suspended their rent obligations on the existing offices. The landlord was particularly anxious to satisfy tenants about the safety of their offices. With 40,000 employees evacuated from the building, tenants were concerned about their employees' willingness to return to their offices.

The Port Authority, which organised its response to the bomb on the evening of the attack, has stopped short of setting up a disaster contingency plan.

However, it has designated another site for people to report to in the case of disaster and it has set up an alternative telecommunications system. It is also reviewing its security systems.

The other event in London was a conference organised by the UK's Institute of Directors, which served to remind companies that bomb damage is not the only disaster for which organisations need to plan.

Routine maintainance work by the water board recently caused a disaster for the Bank of Finland when a burst main flooded its basement and shut down its computer. No sooner had the bank recovered from that disaster than a second one struck: a few days later an unrelated electrical mishap closed the system down again.

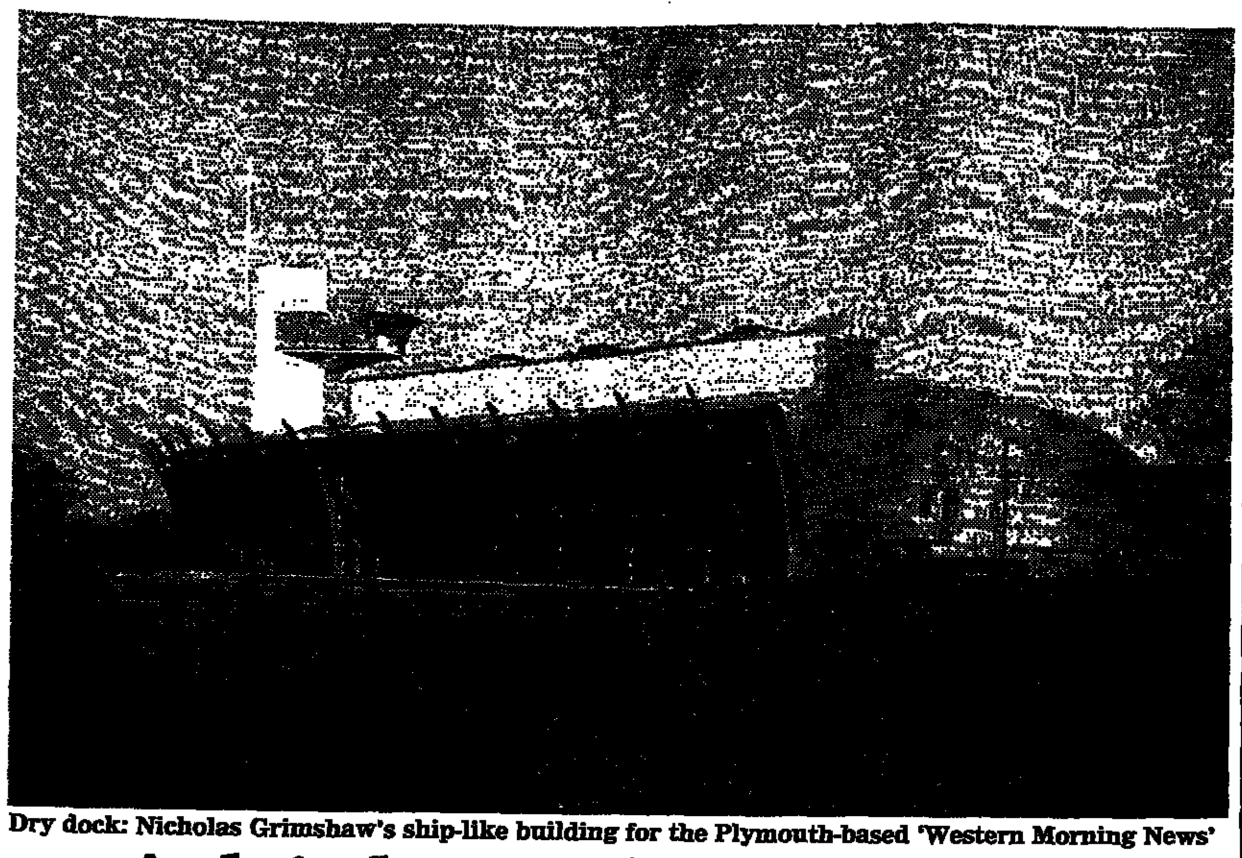
The Bank of Finland, along with Commercial Union which was a victim of last year's City bomb, is now a veteran on business recovery. In common with most other financial organisations in the City, the Bank of Finland had a contingency plan already in place which included the transfer of all its computing facilities to a disaster recovery centre. Its experience was a happy one: after each upset, business was kept going with only the briefest interruption.

According to Peter Mobsby, assistant general manager, the bank learnt the following lessons:

- The time and money involved in setting up contingency plans was well spent.
- The recovery time from the second disaster was far quicker than for the first, demonstrating the importance of a full dress rehearsal.
- The bank has moved its computer out of the basement to reduce future risk of flood, and has resolved to mount full electrical tests after any power failure.
- Beds and showers are needed at the disaster recovery site, as staff are likely to work through the night.
- The fastest way of getting documents to the recovery site may also be the cheapest – the tube might be quicker than taxis.
- Lightening may strike twice.

The Worshipful Company of Information Technologists, the Computing Services Association, and Survive, the disaster recovery group, announced last week that they are working to provide an Emergency Help Desk for the City of London. This will be opened in the Guildhall to offer guidance and support to companies with IT problems in the event of a disaster such as the recent Bishopsgate bomb.

ARTS



Dry dock: Nicholas Grimshaw's ship-like building for the Plymouth-based 'Western Morning News'

A high-tech toyshop

Colin Amery enjoys the work of architect Nicholas Grimshaw through an exhibition of mock-ups and moving models

This newspaper is printed in one of the best modern buildings in London. The *Financial Times* printing plant in East India Dock is easily the most stylish, light and elegant structure in its neighbourhood and the sight of the entire printing process through the great glass wall is a thrilling vision of powerful, moving machinery.

The architects were Nicholas Grimshaw and Partners, a firm which since the early 1980s has gone consistently from strength to strength as a leading and versatile practitioner of British High-Tech architecture.

In London at the Royal Institute of British Architects there is a remarkable exhibition of the recent work of the Grimshaw practice entitled *Structure Space and Skin* (until May 29 at 66 Portland Place, London W1). Architectural exhibitions are difficult things to make appealing to the public, but this one is. Going into the great hall at the top of the stairs is like entering a wonderful high-tech toy shop.

One of the things I have always liked about Grimshaw is his endless, almost child-like enthusiasm for things new. To see him at the Riba surrounded by the moving models and giant mock-ups of elements from his buildings was like meeting Dr Coppelius as he prepared to wind up his dolls.

What is intriguing about British High-Tech architecture is its Britishness. Those architects who practise this glorification and exposure of the engineering and building process do not particularly like it being called a "style". Showing the world how a building is constructed, revealing a fascination with the joints, ducts and fixings, is somehow both child-like and unsophisticated while wanting to appear scientific and super technological. I sometimes wonder whether High-Tech architecture is actually any more sophisticated than Elizabethan half-timbering that showed the world the structural elements of a timber frame, pegs and all.

In this exhibition the most recent Grimshaw projects and built work can be examined. Much of the early work of this practice demonstrated the appearance of a technology that functions ever smoothly, content with its own imagery. The later buildings – the Berlin Stock Exchange, the *Western Morning News* – and some of the projects in the accompanying book suggest a search for a visual language that means more than the exposure of building elements. It started at the British Government Pavilion at Seville when the wall of water cascading down the glass facade subsumed the pavilion into a mysterious block of moving liquid that was expressing coolness and a response to the climate of a Spanish summer. But why is the *Western Morning News* a ship marooned on dry land? Why is the Berlin Stock Exchange like an upturned boat? Why does the Channel tunnel terminal at Waterloo station show all its joints like a knobbly finger?

The *Western Morning News* building I have only seen from the outside, moored on the edge of the city of Plymouth with a boardroom set on a "bridge" exactly as though the whole thing were a liner or a battleship. The walls curve and present a concave surface as they rise up. The newspaper wanted the printing, editorial and office functions to be together in one building so, appropriately, when everyone is all "aboard" there is a sense of belonging to a unified organisation.

In the book published with the exhibition there are elaborate and beautiful drawings and models of all the elements that were specially made for the *Western Morning News*, which is another irony of High-Tech. It often *looks* as though it is made of simple factory-made parts and the success of the building depends upon the way these parts are assembled; in fact, the process is a complex, rather old-fashioned craft approach that is strictly bespoke and often expensive.

Perhaps the most exciting and enjoyable model in the exhibition is the display about the Waterloo Channel tunnel link terminal, which should be seen with the video. The architect saw this project (which won in competition with 10 other firms) as "an heroic railway station with the same function as a 21st-century airport". It is a long, thin, curved addition to Waterloo station, with a spectacular roof. The shape is intriguing, a three-centred arch with one centre displaced to the side as a response to five tracks and three platforms. A great deal of the passenger movement will take place beneath the tracks, and so the light and graceful shape of the roof is vital if passengers are to have the "sense of wonderment" that the architect desires. What the model at the Riba reveals is that this "travel" architecture is a response to the complex plan of movement. The great roof is going to be one of the sights of London – and one that is only revealed once you are inside it.

More spectacular still, but not as yet built, is the airport proposal that was shown at the Venice Biennale last year. It is a solution to the airport design problem that could, by its very simplicity, provide an uplifting architectural experience. The model itself has sculptural qualities that have evolved from the elegant structural proposals.

I recommend this exhibition very warmly and wonder how many visitors will share my critical ambivalence about the architectural success of the High-Tech movement. It is like *Star Wars* – an explosion of ingenuity that can overkill the problem with its own apparent cleverness.

Structure, Space and Skin: The work of Nicholas Grimshaw and Partners, edited by Rowan Moore, is published by Phaidon on June 10 at £39.95

Opera in Geneva/**Andrew Clark**

Boris Godunov

According to *Kobbé*, which gives a more colourful synopsis than *New Grove*, "the background to the story is one of famine and plague ... the people have deserted the ways of law and order ... For Russia's misfortunes Boris is blamed – in spite of his efforts to rule wisely and well." Boris Godunov may not be Boris Yeltsin, but any encounter with Musorgsky's episodic music drama today makes you wonder whether Russia has changed at all in the past four centuries.

The new production of *Boris Godunov* at Geneva's Grand Théâtre suggests that the historical Tsar was a good deal more handsome, if no more politically secure, than the present Kremlin incumbent. Geneva's Boris is Samuel Ramey, singing the role for the first time. With his proud mane of hair and pointed beard, he cuts a noble, patriarchal figure, whether in his rich coronation apparel or the bare-chested, bare-footed histrionics of the finale. Nothing is over-acted – though we are left in no doubt about Boris's physical strength, violent temper and tormented conscience. Ramey may not be the booming, bulbous bass most often associated with the part, but he sings with well-sculpted, muscular refinement. His Boris is commanding, but not yet charismatic.

Geneva opts for the original 1869 version – an austere succession of seven panels which confines music and drama to bare essentials. It makes for a relatively short evening – but the punch seems stronger without the scenic and instrumental cushioning of later versions. Under Edo de Waart, the musical emphasis fell on the dark, introspective quality of Musorgsky's instrumental writing rather than on dramatic excitement – a view justified by the sensitive woodwinds of the Suisse Romande Orchestra and some rapt string playing, particularly in the cavernous double-bass parts.

Samuel Ramey as Boris

On stage, as in the pit, the mood was one of stark simplicity. Stein Winge's production, designed by Göran Wassberg, unfolded on a steeply-raked wooden ramp curling up into a huge backdrop, which disgorged guards, boyars and coronation procession from a variety of trap doors. The presence of the Fool in each scene, an innocent observer of endless misfortune, provided a further unifying thread. Visual contrast came from Kari Gravklev's richly-coloured costumes, and from the variety and concentration of Hans-Ake Sjöqvist's lighting effects, which dissolved the traditional stage boundaries.

The production team was Scandinavian, the cast predominantly Anglo-Saxon. John Tomlinson, who sang Boris for Opera North, proved an equally imposing Pimen, though he sounded stretched by the upper reaches of the part. Anthony Rolfe Johnson, the Fool in the 1981 Geneva production, has now graduated with honours to Shuysky. Kim Begley was the powerful Grigory, Eirian James a credibly adolescent Fyodor. Anne Collins, Henk Smit and Doug Jones made a lively trio in the inn scene.

Performances continue until May 24. *Radio 3 will broadcast* a recording of the production on August 14

Theatre/**Antony Thorncroft**

Redeeming Vices

Saki (the pen name of H.H. Munro) led a retiring, mundane, life before he was shot in the head by a sniper during the Great War. All his venom, wit and quirkiness went into his short stories, many of which are classics. Michael Browning has trawled through the Saki anthologies, picking a character here, a plot line there, and striking aphorisms everywhere, to assemble the play that Saki would never have written.

It is set in classic Saki territory, a weekend house party before the War, and populated by Saki regulars, notably Clovis, the clever, cynical, epicene youth whose task is to undermine county gentility. It is much as if P.G. Wodehouse (a gentler contemporary of Saki) had suddenly gone to the devil.

Like Wodehouse, Saki's youth was organised by aunts; and *Redeeming Vices* involves totally useless young men contriving, with the help of husband-hungry young gels, to break loose from dominating older female relatives. It is the kind of clever, civilised, resolutely middle-class play that perhaps delighted matinée audiences in the 1920s: it is certainly an antidote to contemporary drama.

The plot is borrowed from *Mansfield Park*. The young things get up to the most innocent of mischief while the Gorgonesque Mrs Thunderford (Richenda Carey) is supposedly away: to pay for their over-indulgence in bubbly and trifle they face dismissal from the house next day – *before luncheon*. Unfortunately Browning, who enthusiastically takes part as the genial Uncle Ludo, does not trust Saki's superb reticence. He makes one of the girls, Joy (Claire Weller), a rampaging nympho and Clovis comes way out of the closet.

Still, there is mild fun to be gathered from Saki's Oscaresque witticisms; from the bustle of the amorous pursuits, motivated by money rather than love; from Stephanie Turner's assured performance as a merry widow-to-be whose husband is "between Folkestone and Heaven"; and in the marriageable Trevor Thunderford's (Tom Wallers) stuttering diffidence.

Much depends on the pivotal Clovis. Simon Beresford's imperturbable outrageousness seems restrained by the smallness of the venue, but as he grows in mannered confidence, and the rest of the cast finally remember the stage names of their fellow actors, *Redeeming Vices* could go with a swing. It provides an unusually effervescent evening. Director Philip Grout manages to move a large cast around deftly and speedily.

New End, Hampstead, north London, until June 6. 071 794 0022

Concert/**Richard Fairman**

Tennstedt's Mahler

Although Klaus Tennstedt has already recorded one successful cycle of the Mahler symphonies, he is gradually recording another live in the concert hall. There are always some conductors (Bernstein, Rattle perhaps, to name two other Mahlerians) who have found that inspiration shines most brightly upon them when they are standing in front of an audience.

On Friday the regimented rows of microphones lined up through the orchestra at London's Royal Festival Hall suggested that this performance will be the latest in the new series. Tennstedt and the London Philharmonic have now arrived at the Seventh Symphony. The concert (no filler, just the symphony) was to be repeated the next day, which will have been useful for EMI, as it opened with a small rash of minor bloomers.

That is the risk of recording live. But, as the evening progressed, the rewards were also there, yielding an ever increasing dividend. Tennstedt is not a conductor who steps on to the podium and demands instant involvement. He works to a long-term strategy, creating an atmosphere that will last the duration of the symphony, working towards intermediate climaxes, keeping his eye on the final goal.

Without wanting to declare one a better Mahlerian than the other, it is fascinating to compare Tennstedt with Bernstein. The latter used to inflect the aching string melodies of the first movement with every hairpin dynamic marking in the score; the music started to sound contorted, as though parading its emotions with exaggerated self-awareness, irony, sarcasm, even a touch of neurosis. Tennstedt lets the music sing simply. It comes from the heart.

In a symphony that is generally regarded as Mahler's least successful, he manages to find a lot of genuine importance to say. The three central movements are well written anyway and this performance kept finding passages that suggested deeper emotions than one had hitherto suspected (the dusky, veiled tone of the strings in the second "Nachtmusik" was particularly affecting). The finale is empty bombast on Mahler's part, but it rose to the occasion here, exciting, exuberant, the London Philharmonic's playing at its most brilliant.

It is too early to say whether this performance will replace Tennstedt's earlier recording as a permanent record of his views on the symphony. Judged simply as a concert, it was by some way the most moving and involving Mahler's Seventh I have heard.

Recital/**Andrew Clements**

Dezsö Rankí

All too fallible memory suggests that Rankí has not played late Beethoven before in London. We have heard him unfailingly stylish in Mozart and Chopin, direct and uncompromising in Bartók, a most persuasive advocate of his Hungarian contemporaries; but his Wigmore Hall programme on Saturday was devoted to the last three Beethoven piano sonatas, Op. 109, 110 and 111, played in strict chronology.

It promised much; Rankí is such an accomplished and fastidious artist that his approach to these pianistic summits was inevitably going to be considered and fascinatingly detailed. What was delivered, though, came across as unexpectedly approximate, like a snapshot of work in progress rather than a series of distinct, fully achieved interpretations. General principles could just be discerned: in all three works Rankí appeared to set out to subvert the conventional aspirations of late Beethoven playing, de-emphasising the grandeur (even in Op. 111) and demystifying the most serene moments of lyrical intensity.

The snapshot often seemed more like a negative. Ethereal spirituality was brought down to earthy directness, strenuous aspiration transformed into sportive exuberance, yet what might have been bracingly different never cohered completely and too often was disappointing on purely cosmetic grounds. The opening of Op. 109 ought to have suited Rankí's luminous tone and limpid articulation, yet came over as almost shockingly matter-of-fact, with an uncomfortable sprinkling of errors; in Op. 110, vital left-hand detail in the first movement went for nothing, and the central section of the final fugue was prosaic and underpowered. There were things to admire – a finely spun, singing line in some of the Op. 109 variations, clean, athletic counterpoint in the finale of Op. 111, an explosive scherzo in Op. 110 – but they were the exceptions to the rule of inconsistency. Rankí must return to London with the same programme when either his interpretations or his own playing, perhaps both, are focused more firmly.

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS

Pierre Boulez conducts the Berlin Staatskapelle and Radio Chorus at **Staatsoper unter den Linden** on Fri and Sat, in Mahler's Todtenfeier and Schoenberg's Die Jacobsleiter (200 4762). John Adams conducts Ensemble Modern in his own music tonight at the **Philharmonie**, where this week's programme also includes a Mahler concert on Sun with Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (2548 8232). At the **Schauspielhaus**, Berlin Symphony Orchestra plays Orff's Carmina Burana tonight, and a Schumann and Faust programme on May 22, 23 and 24 (2090 2156). At the **Komische Oper**, Carlos Kalmar conducts orchestral works by Berlioz and Tchaikovsky on Wed (229 2555)

OPERA/DANCE

Götz Friedrich's new production of Die Meistersinger von Nürnberg, conducted by Rafael Frühbeck de Burgos, can be seen on Thurs at the **Deutsche Oper**, with a cast including Wolfgang Brendel, Jan-Hendrik Rootering, Gösta Winbergh and Eva Johansson. Repertory also includes Lohengrin and Gounod's Faust, plus a revival of three John Neumeier ballets. Wagner's Ring follows on May 28, 30, June 2, 6 (341 0249). Jonathan Miller's new production of Capriccio, with Yvonne Kenny as Countess Madeleine, can be seen on Wed at **Staatsoper unter den Linden**, followed on Thurs by a song recital by Gwyneth Jones and Jochen Kowalski. The Nureyev production of Sleeping Beauty can be seen tomorrow and Sun (200 4762)

THEATRE

The final week of Berlin's annual German-language theatre festival includes a performance tonight at the **Deutsches Theater** of Thomas Langhoff's acclaimed production of Hofmannsthal's The Tower. A guest production from Bremen of Johann Kresnik's choreographic play Wendewut can be seen tomorrow, Wed, Thurs at **Freie Volksbühne**, while the Heidelberg production of Gombrowicz's Die Burgunderprinzessin runs tomorrow till Thurs at **Hebbel Theater**. Ticket information from festival office 2548 9254. A new production of Ionesco's The Chairs, directed by Martin Meltke, is in repertory at **Maxim Gorki Theater** (208 2783). The new Marlene Dietrich musical, starring Jutta Habicht, runs daily except Mon at **Theater am Kurfürstendamm** (300 6000). Porgy and Bess, in a new production directed by Götz Friedrich, runs daily except Mon at **Theater des Westens** (3190 3193)

● Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9266)

NEW YORK

THEATRE

● Angels in America: the first half of Tony Kushner's epic Pulitzer Prize-winning play about sexual politics, death and decay. Not to be missed (**Walter Kerr**, 219 West 48th St, 239 6200)

● Later Life: A.R. Gurney's new play about a man and woman who meet up after a gap of 30 years. In previews (**Playwrights Horizons**, 416 West 42nd St, 279 4200)

● She Loves Me: revival of the 1963 musical by Joe Mastcroff, Jerry Bock and Sheldon Harnick. In previews (**Roundabout**, Broadway at 45th St, 869 8400)

● The Who's Tommy: a stunning stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete Townshend, and director Des McAnuff (**St James**, 246 West 44th St, 239 6200)

● Oleanna: Damid Mamet's short, powerful drama about political correctness and sexual harassment (**Orpheum**, 126 Second Ave at 8th St, 307 4100)

● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (**Ethel Barrymore**, 243 West 47th St, 239 6200)

● Forbidden Broadway 1993: a witty parody of the most popular Broadway shows (**Theatre East**, 211 East 60th St, 838 9090)

DANCE

Metropolitan Opera American Ballet Theatre season runs daily except Sun till June 12. Tonight: tribute to Kenneth MacMillan. Tomorrow, Wed, Thurs: choreographies by Balanchine, de Mille and Tetley. May 21-26: David Blair's production of Swan Lake (362 6000)
State Theater New York City Ballet's Balanchine Celebration runs daily except Mon till June 27. This week's repertory includes an evening of 1957-8 premieres on Thurs and 1960 premieres on Sun afternoon, plus an all-Stravinsky matinee on Sat (870 5570)
City Center Les Grands Ballets Canadiens are in residence this week with two programmes: The Green Table plus a mixed bill of works by Mark Morris, James Kudelka and others. Daily from tomorrow till Sun (581 1212)

MUSIC

Alice Tully Hall Tonight: Pinchas Zukerman violin recital. Wed: Carol Vaness song recital (721 6500)
Avery Fisher Hall Tomorrow: Colin Davis conducts New York Philharmonic Orchestra in concert performance of Der Freischütz, with Sharon Sweet, Gillian Webster, Thomas Moser and Ekkehard Wlaschiha. Thurs, Fri, Sat, next Tues: Kurt Masur conducts Ives' The Unanswered Question and Beethoven's Ninth Symphony (875 5030)

JAZZ/CABARET

Blue Note This week: Diane Reeves. Next week: Nancy Wilson. Music at 21.00 and 23.30. Dining (131 West 3rd St, near 6th Ave, 475 8592)
Russian Tea Room Tonight and next Mon: Julie Budd presents a musical salute to Dorothy Fields. Dining (150 West 57th St, 265 0947)
Carlyle Hotel Bobby Short is in residence in Cafe Carlyle for the next couple of months. Across the hall in Bemelmans Bar, Barbara Carroll presides at the piano (Madison Ave at 76th St, 744 1600)
Algonquin Hotel Toyah Feldshun is currently at work in the Oak Room. Dining (59 West 44th St, 840 6800)

PARIS

DANCE/OPERA

Ballet de l'Opéra de Paris presents a programme of four Roland Petit choreographies tonight, tomorrow, Wed, Fri and Sat at **Palais Garnier** (4742 5371). Armin Jordan conducts Jean-Louis Martinoty's production of Ariadne auf Naxos at **Opéra Comique** tomorrow, Thurs and Sat (also May 25, 27, 29), with a cast led by Karen Huffstodt and Peter Svensson (4286 8883). This week and next, **Opéra Bastille** has performances of Le nozze di Figaro with a cast led by Hakan Hagegard, and Andrei Konchalovsky's production of Queen of Spades (4473 1300)

CONCERTS

Tonight at the **Châtelet Auditorium**, Ton Koopman gives a harpsichord recital (4028 2840). Tonight at **Salle Pleyel**, Rico Saccani conducts Orchestre Symphonique Français in works by Beethoven and Prokofiev (4561 0630). Christian Zacharias gives a piano recital on Sun morning at **Théâtre des Champs-Elysées**. May 24-28: Tchaikovsky cycle with St Petersburg Philharmonic (4720 3637)

THEATRE

● The Taming of the Shrew: Jérôme Savary's Shakespeare production starring Jacques Weber and Christine Boisson. Daily except Sat, Sun and Mon till June 26 (**Théâtre national de Chaillot** 4727 8115)

● L'Homme qui: Peter Brook's latest theatre piece, based on neurologist Oliver Sacks' book The man who thought his wife was a hat. Final week (**Bouffes du Nord** 4607 3450)

JAZZ/CABARET

Blues singer and slide-guitar artist Bill Wharton is in residence for the next two weeks at Lionel Hampton Jazz Club. Music from 22.30 (**Hotel Meridien Paris Etoile**, 81 Boulevard Gouvion St Cyr, tel 4068 3042)
● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Arts Guide
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandanavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

Samuel Brittan

Home loans and Euro-money

Eurosceptics who hoped that the third Spanish devaluation in less than a year would halt the move towards European Monetary Union are likely to be disappointed. But it does make it even more probable that Emu will start with a small group of countries based on France, Germany and its neighbours, which have minimised realignment within the exchange rate mechanism. A more significant event will be tomorrow's Danish referendum, which will determine whether the Maastricht treaty can still be used as the basis for such a union.

In a series of gatherings in Europe I have denied that a single currency – and still less "fixed exchange rates" – require a single political authority. For this is what the Eurosceptics fear most and the Euro-enthusiasts privately hope to achieve.

The more difficult supplementary question is: "How much co-operation or assimilation of economic structures do fixed monetary arrangements require?" My tentative answer *has been*: "About as much as the G7 group of leading industrial countries have aspired to on a worldwide basis, but have rarely succeeded in achieving."

This answer gives the right flavour, but it is short on detail. The two conditions that the British government has most frequently given for rejoining the ERM are cyclical convergence with Germany – by which it seems to mean that similar short-term interest rates should be appropriate in the two countries – and an end to the recession in the UK. Because of the unexpectedly severe German downturn and a more vigorous than expected UK recovery both these conditions may now be fulfilled within months rather than years – too early to avoid a huge Tory split, if rejoining the ERM were to be mooted.

Meanwhile, the question frequently put to me by German and French officials is: why do the British concentrate so much on short-term interest rates and not on long-term ones, where German levels have been quite moderate?

The answer surely lies in a structural difference. A far larger share of British borrowing is on a short-term basis than is the case on the continent. This applies to both business borrowing and loans for home ownership. But it is the latter which has proved the biggest political land-mine. A tightening of monetary policy to reduce inflationary pressure has a catastrophic effect on UK mortgage rates. The effect is especially severe on recent homebuyers. A comparable increase in interest rates in Germany and France is certainly not pleasant, but it does not have the same effect on the home loan market where borrowing is mostly on a medium or long-term basis.

A development has however occurred in the British housing market which may change all this: the growing vogue for fixed rate mortgages. These have become popular with borrowers after the shock of recent high rates. Fixed-rate mortgages have now become possible in the UK because of the rapid growth of the sterling swap market, which has *enabled building societies* – which themselves borrow short – to reduce their exposure to interest rate fluctuations.

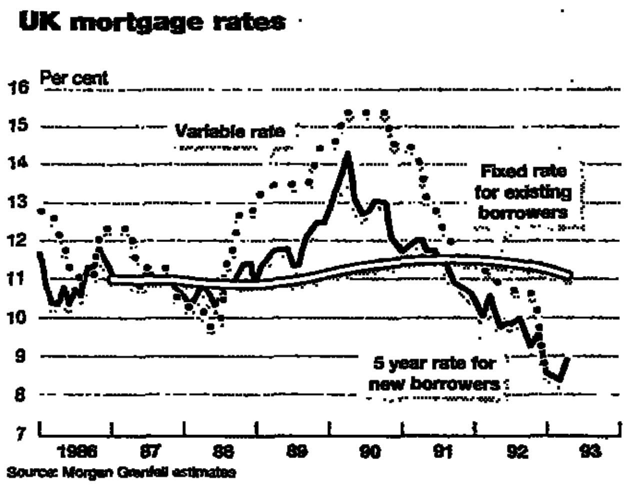
An estimate of what might have happened had fixed mortgage rates been available in the past few years has been made by Morgan Grenfell and is shown in the chart. The thick line shows what might have happened if all existing borrowers had five-year fixed rates. The dotted line is drawn on the more realistic assumption that only new borrowers had been on such a basis.

The results are as expected, but still pretty dramatic. The long period of extremely high mortgage rates, which both intensified the UK recession and undermined ERM membership, would not have taken place. Of course mortgage rates would not have fallen so much in recent months. But they would not have had to, if the slump had been less bad.

With more stable mortgage rates, UK governments would not have been able to impose quite such such sharp interest rate squeezes on homebuyers. But with diminished volatility in both directions credit booms would have been diminished too and the need for shock treatment correspondingly smaller.

The peculiarities of the British mortgage market may seem a long way from European monetary politics. But the encouragement of the change towards fixed-rate borrowing may make a more important contribution to eventual British membership of a European monetary area than more obvious moves in the field of financial diplomacy.

UK mortgage rates



Source: Morgan Grenfell estimates

In the eye of a gathering storm

Edward Mortimer on the political and economic challenges facing the new Turkish president

Until yesterday, when he was elected president of the Turkish republic, Süleyman Demirel was head of a coalition government formed by his own True Path party (DYP) and the Social-Democratic People's party (SHP), led by deputy prime minister Erdal Inönü. The immediate questions now facing Turkey are whether that coalition will continue, and who will replace Mr Demirel as prime minister.

But behind those questions lie others of much greater importance, not only for Turkey but for Europe, the western alliance, the Middle East and much of the former Soviet Union. The mere enumeration of those regions shows how the end of the cold war, far from robbing Turkey of its strategic importance as once seemed likely, has promoted it to the very eye of the storm. Some American strategists even argue that Turkey has replaced Germany as the US's most important ally. That is an exaggeration, no doubt, but Turkey *has* replaced Germany as Nato's most exposed member. It finds itself surrounded by, and involved in, three zones of conflict – the Balkans, the Caucasus and Iraq – while a fourth neighbour, Iran, is seen as threatening both by the Turkish elite and by Turkey's Nato allies.

The kind of role Turkey can play in these multiple crises will depend mainly on how, over the next year or two, it handles its domestic problems.

For it is not only the external environment that has changed. In what will probably be known as the Ozal years (after President Turgut Ozal who died last month), the country has experienced significant internal change as well. Its economy has been largely deregulated and opened up to foreign investment. The growth rate last year was the highest in the Organisation for Economic Co-operation and Development (5.9 per cent), but inflation is running at about 60 per cent and population, now nearly 60m, is growing at some 2 per cent a year.

The birth rate is falling, though, and projections of 120m Turks by the year 2025 are certainly too high. But even more spectacular, and socially more destabilising, is the process of urbanisation. In just five years, between 1985 and 1990, the proportion of people living in cities jumped from 53 to 59 per cent. It could well be 80 per cent by 2000. The flow of both capital and population has been from east to west, accentuating the sharp gap in income and living standards between different parts of the country.

To see that as an ethnic division is too simple. The mainly Turkish north-east is as poor as the Kurdish south-east, and Kurds as much as Turks have joined in the westward migration. But the insurgency in the south-eastern part of the country since 1984 has forced the issue of Kurdish identity on to the Turkish political agenda, after six decades of denial and repression.

This has happened while Turks in the rest of the country have been feeling their way back to democracy after the military coup of 1980 (the third in 20 years). Constitutional provisions banning politically-affiliated trade unions and political parties based on class or religious ideologies have been gradually lifted, and efforts have been made to improve respect for human rights.

But the Demirel government's bill on judicial practices, passed last year and intended to give defendants the same rights as in other western countries, has yet to be extended to terrorist cases. Reports of human rights violations continue to flow in from south-eastern Turkey, where a state of emergency allows the security services a free hand in the struggle against terrorism.

Economic freedom, Kurdish identity, political pluralism: all these mark steps away from the legacy of the republic's founder Mustafa Kemal Atatürk, at least as traditionally understood and jealously defended by the Turkish armed forces. But the centrepiece of that legacy for most Turks is secularism, and that too is seen by some as being under threat. Leading secular journalists and academics have been the victims of assassination squads, allegedly trained in Iran, while the legal but overtly Islamic Welfare party (RP) did well in local elections last year, and appears to be increasing its influence.

Turkey's present leaders, and most diplomatic observers, remain convinced the RP can not win more than about 15 per cent of the national vote. Seventy years of westernisation could not be easily reversed,

It is surrounded by three zones of conflict – the Balkans, the Caucasus and Iraq

and Turkey is used to thinking of itself as a European country. Its secular middle class is larger, more self-confident and more unashamedly western in outlook than the corresponding group in most other Moslem countries. Only if real disaster strikes could this class lose its hegemonic role in the country and anything like an Islamic counter-revolution take place.

But disaster cannot be ruled out, because the political class faces more immediate challenges than an ill-defined "Islamic threat". The crucial question in the next two or three years will be the management of the economy. Although Turkey's recent history is an economic success story, and the income of most social groups has kept pace with inflation, few suppose this happy state of affairs can be maintained unless the government regains control over the public sector borrowing requirement, currently running at about 13 per cent of gross national product a year. It is hard to see how it can do so without closing uneconomic state companies and causing a sharp increase in unemployment, in a country which still lacks a social safety net.

Customs union with the European Community, promised by the end of 1995, offers real hope to many small businesses in Turkey, especially if the Community lives up to its promises on textile imports. But other sectors, such as cars, are ill-prepared for foreign competition; and the phasing-out of the "mass housing fund", currently levied on imports, will deprive the government of an important source of revenue.

Even more urgent is the situation in the south-east, where the ceasefire declared by the separatist Kurdistan Workers' party in March offers a chance to end the civil war, but only if bold decisions are taken quickly. If the ceasefire holds, the state of emergency will probably soon be lifted, but that will be very risky unless measures are also taken to canalise Kurdish political aspirations into non-violent channels. Allowing the use of the language in schools and broadcasts, and allowing political parties based explicitly on Kurdish identity, are the most widely canvassed ways of doing this.

Will Turkey have a government capable of taking such bold decisions? It is far from certain. Mr Demirel himself, by nature a cautious man, will probably favour a colourless successor as prime minister – for instance the present interior *minister*, Mr Ismet Sezgin – rather than someone as radical and novel as Mrs Tansu Çiller, the economy minister.

Nor does the party structure of Turkish politics, reflecting the legacy of the 1980 coup, make for clear and decisive government. The present coalition partners, DYP and SHP, were brought together by hostility to President Ozal rather than by any ideological affinity.

A two-party system, uniting DYP with Ozal's Motherland party as the main conservative force, and SHP with Mr Deniz Baykal's Republican People's party on the left, would make a lot more sense following the death of Ozal and now that a new generation is coming to the fore. But such a political shake-up, threatening to the personal positions of most established leaders, would take one or two years at least to come about. Those are not years that Turkey can afford to waste.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Restrictions on parallel imports

From Mr Peter Wienand.

Sir, The proposal being put forward to remove the restrictions on parallel imports in UK copyright law is both inappropriate and indiscriminate ("They're picking up bad vibrations", May 13).

It is inappropriate because the restrictions are no more than a logical extension of the copyright owner's basic right to ban unauthorised copies, that is copies which infringe the owner's copyright on his or her work. Lifting the restrictions implies a more wide-ranging review of copyright principles than has been canvassed – or admitted by the critics of the restrictions – so far.

It is also indiscriminate. Why should the music industry be deprived of a right currently enjoyed by all UK copyright holders? It is essential to the wealth of many of the industries that rely for their livelihood on adequate copyright protection that unlawful imports can be restricted. Until this inconsistency has been resolved, one must suspect that reform of copyright law is the wrong target for those concerned by high CD prices.

Peter Wienand,
66 Lincoln's Inn Fields,
London WC2A 3LH

Time and cost overrun on naval contract inevitable

From Mr Peter Stoddart.

The unsophisticated government policy of "beggar-my-neighbour" which masquerades as a naval shipbuilding procurement policy, is mincing-up the last remnants of a UK strategic industry.

The price discrepancy between the Swan Hunter bid and the VSEL/Kvaerner Govan bid ("2,200 jobs threatened at Swan Hunter", May 12) cannot be explained rationally by the competitive process. If we accept that Swan Hunter is one of the most experienced surface warship builders, and that its management team was not bent on committing suicide, then its bid must have been close to the proper price level for the vessel.

We should also accept that Swan Hunter would be close to the bottom of the cost and the experience curve for that type of vessel. On the other hand, the competitive positioning of the successful bidders must be at the opposite end of that cost and experience curve, they having had no experience of building surface warships since the Falklands war.

Any arguments about relevant skills and expertise in other naval or complex ship products affording advantages in relation to other types of vessels do not, pun not intended, *hold* water. VSEL and Kvaener need only look across the Irish Sea, to Belfast, to see the last demonstration of such inept thinking. The Public Accounts Committee had a great deal to say about the performance of Harland & Wolff in building a naval vessel which was beyond its product range experience.

If the government believes in this competitive process then it will expect to receive the vessel, in accordance with the quality specified, on time and to the price quoted.

I forecast that it will be disappointed on the latter aspects and that the vessel will be a year late and will cost some £100m more than the bid. The reason is simple, this vessel is unlikely to be built in the timescale and to the cost quoted by yards which lack the experience and know-how to meet the level of performance necessary to match their tender.

I recommend that the PAC make an early start on a report, before ministers and civil servants lose the files, or move the contract goalposts. The loudest voices clamouring for an inquiry into this affair should be the successful bidders' shareholders, for it is they who must meet the cost overrun that will result.

Peter Stoddart,
1 Thornfield Grove,
Sunderland SR2 7UZ

What's best for the Saudis?

From Mr Ghazi Algosaibi.

Sir, We have often been told that the last thing Saudi Arabia wants to see on its doorstep is a dictatorial regime in Baghdad. We have also often been told that the last thing Saudi Arabia wants is a fundamentalist regime in Tehran.

Now, Eric Watkins ("Success of Yemeni elections prompts worries for Saudis", May 14) quotes, approvingly, a western diplomat who asserts "the last thing Saudi royalty wants on its doorstep is a successful little democracy in Yemen".

Will somebody, please, tell us what is it exactly that we want on our doorstep?

Ghazi Algosaibi,
ambassador,
Royal Embassy of Saudi Arabia,
London

Ukraine's nuclear weapons stance correct

From Dr Bohdan Hawrylyshyn.

Sir, Your editorial "Nuclear rift over Ukraine" (May 5) is excellent. It is the first serious attempt to look at the issue of nuclear disarmament from the Ukrainian side as well. Any newly-independent country is bound to be somewhat sensitive about its independence. This applies particularly to Ukraine, which has waited for independence for more than 300 years and is now being told, rather unceremoniously, "you hand over your nuclear weapons to the neighbouring country which has deprived you of your independence for a few centuries".

Ukraine did move its tactical nuclear weapons to the Russian Federation last year, the first such gesture that any country has made. Nobody seemed to say thank you. Now it is simply being beaten into handing over its strategic nuclear weapons. The reservations about this and signing the Start agreements and nuclear non-proliferation treaties should be understandable.

First, the cost of moving these nuclear weapons, as you state yourself, is enormous and beyond the current financial capacity of Ukraine.

Second, handing them over to a country which is politically fragile, which has had an imperialist past, and where many of the present leaders keep threatening Ukraine does not look overly appealing.

Third, there seems to be no provision for allowing Ukraine a share of the proceeds from the sale of the materials.

Finally, none of the nuclear powers seems to be willing to give a strong enough guarantee to Ukraine about the inviolability of its borders once the nuclear weapons are removed.

Crude political pressure from abroad will merely increase the rank of those in Ukraine who advocate its holding on to nuclear weapons, at least for a while. This would be a pity, both for Ukraine and the rest of the world.

Bohdan Hawrylyshyn,
chairman,
council of advisers to the parliament of Ukraine,
CP 5,
CH-1231 Geneva, Switzerland

The debilitating effect of late payments

From R G Hornby.

Sir, Your article on late payment ("UK's late-payment culture attacked", May 10) brings a welcome focus to an aspect of business even more debilitating to enterprise than government policy.

It seems that late payment reflects so many aspects of our society where transgressors are rewarded for their action, or inaction.

If only the government would act, or enable organisations such as the chamber of commerce to act, to ensure that *all* businesses behave in an honourable way towards their suppliers.

One would hope that this would also reduce the flow of mindless reminders, requests and demands for payment which the issuer knows is no more than feeble wolf-crying.

R G Hornby,
managing director,
Bryant & Tucker,
Harriott Drive,
Heathcote Industrial Estate,
Warwick
CV34 6TT

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday May 17 1993

Yes please, Denmark

IT IS IN the interest of Denmark, of Britain, and of the European Community as a whole, that Denmark should vote Yes tomorrow in the country's second referendum on the Maastricht treaty.

Those who desire the opposite outcome hope that a second Danish No might kill the treaty. In a narrowly legal sense, that may be so, but all that can be said with certainty is that even after a No vote, the EC's future would have to be negotiated. It is unlikely that other member states, especially the original Six, would acquiesce in a Danish veto. Rather, some or all of them would seek to bypass the obstacle by replacing the Maastricht treaty with a new arrangement. The legal difficulties might be considerable, but one way or another a No vote would mark a parting of the ways between Denmark and the core countries. It would be a step backwards in a world which cannot avoid the struggle to construct effective international political institutions.

A Danish Yes vote is firmly in Britain's interest, because it would increase the pressure to get the Maastricht treaty through parliament. There have been hints that should the the Danes say No, ratification might be abandoned on the grounds that the treaty would then be "dead". This would be a serious error. If Mr John Major were to abandon Maastricht, his influence on a successor to the treaty would be severely weakened. It cannot be excluded that Britain, too, might manoeuvre itself into an outer circle of the EC.

None of this is to make exaggerated claims for the treaty. As soon as it is ratified, the EC must face the task of making the new union larger, more accountable, more transparent and more efficient. It will also, as Mr Jacques Delors has recently recognised, have to turn again to the dangers of Eurosclerosis in an ever more competitive global economy.

Maastricht's most detailed element, the programme for Economic and Monetary Union, has been shaken by upheavals in the currency markets. It is likely that it will either be revised or confined to an inner core of countries. The treaty's second most important objective, a common foreign and security policy, has been shown by the Yugoslav crisis to be more urgent but more difficult than previously appeared.

Yet nothing has happened in the months spent ratifying Maastricht to alter the fact that Europe must have a dynamic, outward-looking economy and a self-confident polity capable of influence beyond its borders, especially to the east.

As recession grips Europe's heart and its political leaders stumble, it is tempting to blame the EC and Maastricht for all that is wrong. But the Community's ability to evolve through negotiation between democratically elected governments remains its most creative characteristic. That process will be most effective with Maastricht unanimously ratified.

Swan song

THE APPOINTMENT of receivers at Swan Hunter is not only a cruel blow to the warship builder's 2,200 workforce. The downfall of such a proud company, famous for building the Mauretania, and with it the probable end of shipbuilding on Tyneside is a sad event in the annals of British industry.

Although sad, Swan's demise was unavoidable. The unpalatable truth is that Britain has too many naval shipyards chasing too few orders. There is just not enough Royal Navy business to keep VSEL, Yarrow, Vosper Thornycroft and Swan Hunter working. For some time, Swan has looked the weakest.

What was true before the end of the Cold War – although somewhat masked by the flood of orders after the Falklands conflict – is doubly so since its passing. The UK no longer needs a vast warship industry.

It is theoretically possible that these shipyards could have found more orders overseas or diversified into commercial shipbuilding. But in what are anyway extremely competitive markets – there is excess shipbuilding capacity throughout the world – the British have done poorly, as the industry was nationalised and denationalised within the space of two decades.

While government thus bears some responsibility for Swan's plight, it was right not to ply the company with subsidies or waive commercial considerations in the award of contracts as some suggest. The Ministry of Defence had no option but to choose a £160m tender for a helicopter carrier from VSEL over a bid from Swan said to have been £50m higher. The government's error rather was not to have faced up to reality earlier.

Its failure to do so results from allowing political considerations to influence the handing out of contracts. Fearful of the fall-out if a yard closed, it has in the past often divided work up so that all get a share. This policy has been reinforced by the mistaken belief that keeping all the yards in work and playing one off against the other would provide greater value for money. The result is that margins have been pared to a bare minimum, while the industry has lost out on any economies of scale available from concentrating production in fewer yards.

Such a policy has not only prolonged the agony of a necessary slimming down of the industry, but may in the process have enfeebled the whole industry financially. Moreover, the industry's excess dependence on meeting the Royal Navy's exacting specifications may have counted against its chances of succeeding in export markets, where demand is for the cheaper, less sophisticated warships which the Germans and others have been better at supplying.

May-have-beens, though, will be little comfort to Swan's workers who now face the probable loss of their jobs. The least the government can now do is to support a determined effort to help them find new ones.

Saving the whale

THE International Whaling Commission was right not to lift its moratorium on commercial whaling at its 45th annual meeting in Kyoto last week. But the way in which it came to that verdict did itself – and the whales – few favours.

The IWC was set up after the second world war to protect whale numbers, which were plummeting after decades of slaughter. There were 250,000 huge blue whales early this century but only several hundred by the 1970s. The number of humpbacks, right whales and sei whales has also fallen sharply.

But the IWC also recognised a responsibility to the whaling nations and in the 1980s set itself the task of working out how many minke whales – the smallest and most plentiful kind – could be caught without endangering the species.

It has, however, increasingly departed from that second responsibility as more anti-whaling nations have joined. At Kyoto, environmentalists stalled scientific debate on how to calculate sustainable quotas; the UK switched its main objections to commercial whaling from concern about sustainability to the cruelty of the killing; and the US said for the first time that it was opposed to any whaling at all.

The debate thus gave support to the claims of Japan, Norway and Iceland, the three main whaling nations, that IWC concern about saving the whale has been replaced by the romantic "green" desire to save every single whale. The result of the anti-whalers' filibustering is a short term victory, but it may prove counterproductive for protecting whales.

In protest, Norway has said that it will restart commercial whaling and is expected to announce quotas this week of up to 800 minke whales. Japan has separately hinted that it may leave the IWC.

Despite their frustration, both countries have acted prematurely. IWC scientists still have legitimate misgivings about how many whales can "sustainably" be caught. They now believe, after years of research, that they have reliable estimates of minke whale numbers: about 87,000 in the Barents sea north of Norway, and around 760,000 in the southern oceans. But many feel the IWC still needs more research on breeding rates and the different geographical distributions of males, females and young whales before setting quotas.

There is good reason too for non-whaling IWC members to mistrust the ability or willingness of whaling countries to observe quotas once commercial whaling starts again. Much of the collapse in the numbers of the great whales occured after the IWC's creation, and IWC members have not yet agreed an adequate system of policing.

The IWC is currently the only forum for settling these issues. If it is to regain credibility and save whales, its non-whaling members need to address openly the question of its role and accept the principle of sustainable whaling.

Mood swing in the public sector

Robert Taylor examines the pressures behind increased union militancy and the prospects for industrial action

A summer of sporadic discontent threatens Britain's public services after firefighters voted last week to organise strike ballots in defence of jobs and pay, and the teachers' unions united in opposition to the government's national curriculum tests.

But they are not the only groups among the 5.8m public-sector workers whose mood has gone from submissive to combative in the past few weeks.

- Several civil service unions appear to be edging towards a one-day stoppage in protest at the government's plans for commercial market testing, under which their members must compete for their jobs with private-sector workers.
- On May 26, ambulance workers and nurses are expected to join firefighters in a demonstration in London against what they see as a deterioration in the quality of public services because of government imposed financial constraints.
- Local council unions are considering taking industrial action after refusing last week to accept a final 1.5 per cent wage rise for their 500,000 members in line with the government's 12-month public sector pay limit policy introduced last November.

Yet only a few weeks ago union leaders doubted whether a mounting sense of disquiet in the public sector would lead to industrial trouble. While saying publicly that the government's 1.5 per cent public sector pay limit was inadequate they were in no mood to launch an offensive.

It is not difficult to understand why. Last year Britain experienced the lowest number of working days lost through strikes since records began 100 years ago. The prolonged recession has meant public sector workers were more concerned about security than about fighting for higher wages or better conditions and did not want to put their jobs at risk by going on strike.

"The feeling was that the government's 1.5 per cent public sector wage limit meant a strong trade-off between pay and jobs," says Professor Philip Beaumont, an expert on the public sector at Glasgow University. "Ministers were saying to public sector workers, 'you can have more than 1.5 per cent but at a direct cost in fewer jobs'. It was that fear to their job security that suggested most public sector workers would keep their heads down."

However, recent political setbacks – notably the Tory disasters in the Newbury by-election and the county council elections in England and Wales two weeks ago – have weakened the government.

Some public sector union leaders now believe that if they adopt a more confrontational strategy, ministers will back away from rigidly imposing the 1.5 per cent pay limit or slow down plans to contract out public services to the private sector.

Several public sector union leaders have been surprised by the depths of hostility now on display among some of their members, particularly to government policies on privatisation and market testing. Unions which feel most aggrieved include the Civil and Public Services Association, which covers clerical staff, and the Inland Revenue Staff Federation.

But while such unions are restive, they have little industrial muscle with which to force the government to back down. Other public sector unions are in a much stronger position to exert pressure because they have the ability to disrupt basic services. Because of this distinction, Mr Chris Trinder, research director of the independent Public Finance Foundation, points out, a "two-tier pay system" has evolved in the public sector. Weaker groups, such as local government manual workers have been unable to secure the kinds of special pay deals covering members of some more powerful unions.

For instance, some public sector groups enjoy guaranteed pay formulas linked to the private sector, such as firefighters and the police. Doctors, dentists and the armed services enjoy the benefit of pay review bodies which recommend salary increases based on comparable private sector wages.

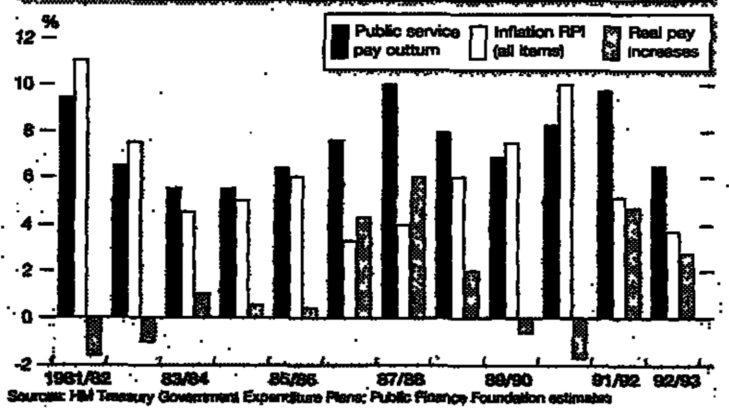
Under the 1.5 per cent public pay limit such arrangements have been suspended for at least 12 months from last November. But the government is going to find it hard to hold the line in the next wage round if it tries to reform them or scrap them altogether.

The angry mood among delegates at last week's Fire Brigades Union conference suggests that some among the top tier of the public sector are preparing for conflict. The unanimous decision of the conference to authorise strike ballots in defence of a 14-year-old wage formula that links firefighters' pay to the increases enjoyed by the top 25 per cent of male manual workers and against any proposal for compulsory redundancies reflects a disillusioned and determined mood.

The pressures on pay

Public sector
% increases in pay in financial years

	1988/89	89/90	90/91	91/92	92/93	Total 1988/89 to 92/93
LOCAL GOVERNMENT	6.20	7.80	8.80	7.75	4.80	41.16
CIVIL SERVICE	6.25	6.60	9.15	7.50	4.50	38.80
POLICE	8.20	9.00	9.50	9.00	7.30	51.00
ARMED FORCES	6.40	6.90	7.70	15.30	5.60	49.15
HEALTH	7.95	7.15	8.20	8.75	6.50	45.22
TEACHERS	10.10	6.00	7.50	9.60	8.80	49.47
TOTAL (weighted average)	8.00	6.90	8.30	9.75	6.50	44.90
INFLATION (all items RPI)	6.00	7.50	10.00	5.10	3.75	36.70
PRIVATE SECTOR PAY	9.10	9.50	9.60	7.25	5.50	48.10



Sources: HM Treasury Government Expenditure Plans; Public Finance Foundation estimates

Another of the privileged public service groups that could pose problems for the government is the police. Like the firefighters, they have benefited from a remarkably generous pay formula over the past 15 years. The inquiry by Sir Patrick Sheehy, chairman of BAT Industries, into police pay is due to report next month and this could well propose ending the formula.

The Police Federation, the police union, which starts its annual conference today, is not likely to give up the pay formula without a fight even if it is prepared to accept a 1.5 per cent pay rise this year. With the battle against crime one of the government's priorities, ministers may want to avoid any conflict over pay with the police, and may thus be inclined to back down from abolishing the formula.

Such expensive pay deals are just one aspect of public sector industrial relations that ministers would like to see changed in a radical reform of pay structure. They would also like to scrap centralised collective agreements which provide uniform pay levels across the public sector in favour of linking pay rises more directly to productivity improvements.

Over the past eight years, the Tories have not tried to impose such reforms on the public service sector and have adopted a pragmatic approach that has bought industrial peace at a price. Ministers have been keen to work with the unions as long as the cost of financing public sector pay was not having a serious effect on spending. But now, the government's current borrowing requirement of £50bn has forced it to try to maintain a tighter control on public sector pay.

During this summer's public spending negotiations, which culminate in November's unified Budget, the government will have to decide whether to extend this year's formal pay norm into 1994/95.

Mr Norman Lamont, the chancellor, insists it will not be extended. Last year he resisted pressure from colleagues for a two-year norm and in recent weeks has told them he is unwilling to re-open the debate.

Instead he wants a series of informal pay ceilings, low but varying from department to department, to be enshrined in each of the Whitehall budgets agreed in the spending round. The implication is that nurses, for example, might negotiate a better pay deal than local authority manual workers.

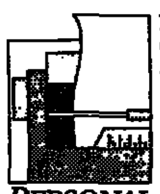
Many of Mr Lamont's colleagues are unconvinced that an informal system will work. If the chancellor is moved in a cabinet reshuffle some of the senior ministers in charge of the big spending departments will push for this year's publicly-stated norm to be carried forward.

The spending ministers argue that this pay squeeze has only held this year because the 1.5 per cent ceiling has provided for "equality of misery", in turn providing an argument that it is basically fair. Their concern is that the return of less constrained bargaining will bring with it the traditional "leap-frogging" by different groups of public sector workers.

During the next few weeks the government will have to decide whether to impose a second 12-month overall public sector pay limit, even if this looks likely to provoke damaging conflict with its employees. The short-term need to rein in spending may prove compelling and unrest could grow more serious. The main casualty could be the introduction of plans to reform the entire public sector pay bargaining system.

Not for the first time in recent years, the government may have to contain its long-term plans to align public sector pay on more market-oriented lines. Instead, it is likely to seek a credible response to growing signs of discontent among the public sector unions. Failure to resolve the problem this year will only build up a head of steam for greater industrial conflict next summer.

The brave way to banish inflation



PERSONAL VIEW

Prices in Russia are currently rising at an annual rate of more than 1,000 per cent. Such hyperinflation is clearly destroying the monetary system, which has just begun to operate on market principles. Indeed, it also dashes the hopes of reaping all the other benefits of the market economy. No one is willing to invest, domestic trade has degenerated to mere barter, and the country finds itself unable to exploit the advantages of international specialisation. Time horizons have shrunk to days if not hours.

All are agreed that the hyperinflation must be stopped – but "at all costs", in the words of Michel Camdessus, the managing director of the International Monetary Fund. Is there only one way to bring inflation under control, and must it be pursued even if it runs counter to the goal of establishing a functioning market economy?

Money must be scarce, say the economics textbooks; the IMF's recommendation is for a "strong, restrictive, market-oriented monetary policy". But what does the scarcity of money mean, when the aim is not to finance the creation of an effective, western-style market economy, but rather to curb a hyperinflation which has become entrenched in both the actions and expectations of the entire population. Two hundred years of monetary macroeconomics have taught us that the success of restrictive monetary policies, and the price which must be paid for that success, depend on the flexibility of goods prices. This flexibility is, in turn, heavily contingent on wage flexibility: if wages react quickly to a rise in unemployment, the price which must be paid for a restrictive monetary policy is low, and vice versa.

The reality of western market economies is that prices are highly inflexible. Contemporary experience shows that even in the country which has been shown to have the most flexible wages in the world, West Germany, it has taken three years to push the inflation rate down from 4 per cent to 2 per cent; and even this is at the cost of a deep recession and a sharp rise in unemployment. How long will it take to free Russia from inflation in excess of 1,000 per cent, and what will be the cost? During the entire transition period the scarcity of money will prevent the market economy from performing its most important function – to induce investment and entrepreneurial activity. Even

Restrictive monetary policies would merely serve to complete the destruction begun by runaway inflation

in western countries investment declines in such phases. It is both absurd and irresponsible for the west to recommend a cure for the struggling east European countries which would certainly be the death of far healthier patients.

The great majority of western economists seem unable or unwilling to understand that restrictive monetary policy can only ever be the exception to the rule of a relatively expansionary monetary policy coupled with moderate wage growth. Even in the west, a scarce-money policy can never be the leitmotif of economic policy in the longer term, without threatening the market economy itself. Those western countries which have enjoyed greatest success have been able to maintain expansionary monetary policies and low interest rates over long periods because trade unions have refrained from making income distribution a matter for day-to-day bargaining.

In Russia, restrictive monetary policies would merely serve to complete the destruction begun by runaway inflation.

There is only one way to banish hyperinflation without doing irreversible damage: Russia must gather its political strength in order to break inflationary expectations at a stroke. This will require a reform of the currency. Of course, it is clear that currency reform itself – the mere exchange of bank notes – will not solve the underlying problems. Currency reform can, however, be the cornerstone of a successful approach where it is embedded in a far-reaching reform of economic policy, one which effectively stabilises prices and wages, preventing new inflationary expectations arising.

This, of course, is conditional on at least a minimal social consensus – and on scarce money. But it is not until price stability can be entrusted more to social consensus than to the scarcity of money that Russia will fulfil a necessary condition for the creation of a successful market economy. Even if this path is taken, the chances of success appear far from rosy. Restrictive monetary policies, however, in an attempt to impose social discipline through rising unemployment and to break inflationary expectations step by step, offer no hope whatsoever given the conditions prevailing in Russia.

Heiner Flassbeck

The author is chief economist, Deutsches Institut fur Wirtschaftsforschung

OBSERVER

Hope is not lost in NY

■ What's the betting that the Federal Reserve Bank of New York will appoint a woman to replace its outgoing chairman, Gerald Corrigan, who departs in August?

In normal times, the front runners would all be men, people like William McDonough, Corrigan's number two, David Mullins, the respected vice-chairman of the Federal Reserve Board in Washington DC, or regional Fed presidents like Richard Syron of Boston and Gary Stern of Minneapolis.

These are not normal times, however, and the rumour mill suggests that the New York Fed may choose to shake things up a bit by picking Karen Horn, 49, the former president of the Cleveland Fed and current chairman of Bank One in Cleveland. Horn, who sits on the boards of BP, Eli Lilly and TRW, has experience of both public and commercial banking. She also won plaudits for resolving the Ohio savings and loan crisis when at the Cleveland Fed.

She faces tough competition in McDonough and Mullins. The former was once vice-chairman of First Chicago, has advised the World Bank, and in his present position is responsible for the Fed's activities in the bond market and its implementation of monetary policy. As for Mullins, he is believed to be closest to Federal Reserve Board chairman Alan Greenspan, which should count for something. He is also a native of Arkansas, President Clinton's home state – which may, or may not, help.

However, Hope has a couple of things going for her. Consuela Washington's failure to get the chairmanship of the Securities and Exchange Commission means that the Clinton administration is under even greater pressure to give a top job in the financial sector to a woman. It's also worth noting that the New York Fed's search committee is, for the first time ever, headed by a woman – Barnard College president Ellen Futter.

Fresh wallpaper

■ It helps if aspiring Tory grandees can win at the ballot box, but it is not a prerequisite. Take Sir Michael Hirst, a 47-year-old accountant, who is taking over from Lord Sanderson of Bowden as chairman of the Scottish Conservative party.

Hirst was elected in 1983 as MP for Strathkelvin and Bearsden on the prosperous outskirts of Glasgow. But a ministerial career was denied him when he lost his seat in the 1987 massacre of the Scottish Tories. However, he was rewarded with the vice chairmanship of the Scottish party, and in 1989 he was elected president of the Scottish Conservative and Unionist Association, one of the two wings of the party in Scotland.

'I'm the first person to climb Everest in Bermuda shorts without oxygen'

Last year he failed to get back into Parliament but did manage to pick up his knighthood.

Hirst, a former partner in Glasgow with KPMG Peat Marwick, has a soothing manner on television. But he doesn't have the same sort of business clout as Lord Sanderson, a shrewd political organiser who is given much of the credit for the Tories' recent revival in Scotland.

Clingman's coup

■ Even in the fast-moving world of the international trader, Alan Clingman, 33, has come a long way in a short time. Having started broking oil in his native South Africa, Clingman did not move to New York until 1987, and it was not until a year later that he and his partner, Alexander Krasner, reversed their operations into AIOC.

Over the last year Clingman's name has been associated with ventures ranging from financing a South African vanadium mine to setting up a joint venture bank in the Ukraine.

Now he appears to have been offerred one of those one-in-a-lifetime opportunities to break into the cliquey European metals business, by Axel Johnson, the Swedish conglomerate, which is selling its 127-year-old metals trading subsidiary to AIOC.

Clingman's insistence that Axel Johnson was more interested in securing a good home for its metal trading business, rather than the highest price, sounds like self-serving marketing hype. Even so the deal more than doubles AIOC's size, and while Clingman is still not in Marc Rich's league, clearly he is a man to watch, especially if he can continue to grow his private empire rapidly without tripping up.

Spanish U-turn

■ When Michael Portillo, chief secretary to the Treasury, introduces Jose Maria Aznar, leader of Spain's centre right Partido Popular, at London's Queen Elizabeth II conference centre this morning, even hard-headed fund managers may spot the poignancy of the occasion.

Portillo's father Luis Gabriel, a mild-mannered law professor at Salamanca University, had to flee Spain when the Republican government he supported was crushed by General Franco's uprising. Aznar's grandfather, Manuel, who made his name as a World War I war correspondent, wrote the official Francoist account of the 1936-39 fratricidal struggle.

A refugee in London, Portillo senior, penned elegant and nostalgic sonnets about his lost homeland and worked as a translator for Reuters and the BBC. Manuel Aznar went on to be chairman of Spain's state-owned news agency EFE after serving as Spanish ambassador to the UN.

Grandson Jose Maria is being wined and dined in London by James Capel, the securities house, who appear to have placed a firm bet on Spain's neck-and-neck elections. With Spain's centre right promising a sweeping privatisation programme, such hospitality could be a sound investment.

Kantor banter

■ The latest rumour in world trade circles is that US suet producers want punitive action to be taken by the Commerce Department against cut-price foreign imports.

Stand by for the first ever anti-dumping suit.

FINANCIAL TIMES
Monday May 17 1993

Serb mayor confident in Bosnian town where mosques are rubble

Voters go to polls in referendum on peace plan, writes **Laura Silber**

BRANKO GRUJIC, the Serb mayor of Zvornik, just laughed. He had been asked about the mosques in this once Moslem-dominated eastern Bosnian town on the frontier with Serbia.

The mosques are rubble now, reduced to nothing by the Serb forces that seized the town 13 months ago when Mr Grujic replaced his Moslem predecessor. There is no need for any trace of that Moslem heritage in Zvornik today.

Most of the Moslems have fled Zvornik. It was one of the first towns to fall to Serb forces who last spring expelled hundreds of thousands of Moslems from eastern Bosnia, killing tens of thousands more in the process. Mayor Grujic called it a "normal population exchange".

At polling station number two, not far from from Mayor Grujic's office, a Serb fighter in camouflage cast his No vote in the Bosnian Serbs' "referendum" on the international peace plan: "We will fight to the last Serb," he said.

A wizened old man deposited three voting slips – one for himself, the others for members of his family.

Weary refugees who showed identity cards were added to the lists. Voter registration was always going to be a last-minute affair in this hastily convened referendum.

Mayor Grujic had no doubts that Bosnia's Serbs would vote against the Vance-Owen plan. After all, it would force them to give back nearly half the territory seized since the war began, including his town.

The plan, he said, and threats of military intervention were evidence of a world conspiracy against the Serbs. "We know the plan was copied from a secret Vatican document."

It proposes to divide Bosnia into 10 provinces along ethnic lines. If implemented it would put an end to Greater Serbia by cutting off links between Belgrade and Serb-held territories in Bosnia and Croatia.

"We are ready to be hungry, thirsty, and naked, but at the end of the war, we will have our Srpska Republika," said Mayor Grujic. Srpska Republika is the self-styled Serb state which covers about two-thirds of Bosnia.

A second question in the referendum asks voters whether they are "for" or "against" an independent state with the right to unite with other peoples and states. There should be little difficulty getting a Yes vote for that one.

Two teenage Serb refugees, on their way to Janja, a mostly Moslem village 30 miles north of Zvornik, stopped off to vote. They accused Serbian president Slobodan Milosevic of betraying Bosnian Serbs by supporting the peace plan.

The voting lists in the local fire station revealed some Moslem voters had cast ballots. An official said everyone was allowed to vote, regardless of his or her nationality.

But Munir, a Moslem, nervously admitted he did not vote. "They did not tell us to," he said.

In nearby Bijelina, most voters were opposed to the plan even though it designates that rich north-eastern town as a Serbian province. Mr Pero Simic, a local journalist, said voters were divided because of appeals by their Belgrade patrons to back the plan.

"We share more with Belgrade than with our brothers in Banja Luka," he said. Banja Luka is the bastion of Serb radicalism in north-western Bosnia.

The only "yes" voter encountered anywhere by this correspondent was a Moslem woman. "We all want the war to end. I am voting for peace," she said and hurried away.

Bosnia peace plan 'may be enforced', Page 3

De Benedetti says Olivetti paid bribes to win contracts

By Robert Graham in Rome

MR Carlo De Benedetti, the head of Olivetti, the Italian electronics group, last night voluntarily presented himself to Milan magistrates and is understood to have provided a detailed account of how the group had been obliged to pay bribes to politicians in Italy over the past decade.

The disclosure came after a new chief, Professor Romano Prodi, was named at the weekend for IRI, the big state holding company, which has been caught in the country's widening political and business scandals. He replaces Mr Franco Nobili, who was arrested on Wednesday on charges of corruption.


Back in the chairman's seat at IRI: Romano Prodi

Over the past week there has been increasing speculation that Olivetti would be obliged to make a deal with Milan magistrates investigating instances of business paying kickbacks to politicians – as Fiat had done last month. However, Olivetti constantly denied any such deal was in the making.

Mr De Benedetti is understood to have said that his group had paid some L10bn ($6.5m) to a politician "collecting" on behalf of the ruling parties. This was in connection with contracts with the ministry of posts and telecommunications.

Olivetti is one of the most prestigious names in Italian business and Mr De Benedetti's move – preceded by that of Fiat's chief executive Mr Cesari Romiti – underlines the extent to which Italian companies are now being caught up in the corruption scandal.

Milan magistrates had begun to focus on Olivetti in recent days following the arrest of Mr Giuseppe Parrella, former chief executive of the state telephone service company Asft. This has led to a major new line of enquiry into kickbacks paid to obtain telecommunications contracts believed to be in the order of L40bn in total.

Last week the chief executives of the Italian telecommunications subsidiaries of Ericsson and GEC were arrested in connection with this investigation and other foreign companies are expected to become involved this week.

The appointment of Mr Prodi as IRI chairman is being viewed as a strong signal of the Italian government's intention to push ahead with privatisation of the state holding company.

Mr Luigi Abete, the head of Confindustria, the industrialists' association, welcomed the appointment of Prof Prodi, who resumes the post he left little more than three years go.

Mr Nobili is still being held in Milan's San Vittore jail as magistrates investigate allegations that he was involved in arranging kickbacks on contracts for two power stations both while he was heading IRI and in his previous role as chief executive of Cogefar, the private construction group.

Demirel's presidency leaves political vacuum in Turkey

By John Murray Brown in Istanbul

MR Süleyman Demirel was elected yesterday as Turkey's ninth president, after failing to get the two-thirds majority he needed in the first two rounds of voting last week.

His election pitches the country into political uncertainty during the selection of his successor in the post of prime minister.

Mr Demirel, 68, was sworn in last night for a seven-year term. He won 244 votes, a straight majority, in the third ballot of the 450-member Grand National Assembly. Deputy prime minister Erdal Inonu takes over as caretaker prime minister while Mr Demirel's True Path party (DYP) decides on a successor.

Mr Demirel leaves a coalition government without strong leadership during a difficult period. Economic reforms are stalled, the government is at a watershed in the Kurdish rebellion, while the country is over-extended on a series of foreign policy fronts from the Balkans to the Caucasus and north Iraq.

Moreover, the search for a new leader could put considerable strain on the coalition between the DYP and Mr Inonu's junior partner Social Democratic Populists (SHP), whose cohabitation has become difficult.

With a special DYP leadership congress due within 45 days, four names have emerged: house speaker Mr Husamettin Cindoruk, economics minister Mrs Tansu Ciller, interior minister Mr Ismet Sezgin and state minister Mr Cavit Caglar, widely seen as Mr Demirel's own choice.

The choice of party leader and therefore prime minister will determine the extent to which Mr Demirel continues to influence policy.

Under the 1982 constitution, the presidency is largely ceremonial. Mr Demirel attacked the late president Turgut Ozal for using his office for partisan purposes. Both the DYP and SHP boycotted Mr Ozal's election and in the campaign for parliamentary elections in 1991 vowed to remove him.

Mr Demirel is adamant he will be a "constitutional" president. But all the candidates except Mr Cindoruk won their political spurs through Mr Demirel's patronage. For this reason alone, Mr Demirel is expected to exert considerable influence over policy – which the SHP is expected to resist.

Mr Demirel's accession marks the pinnacle of a political career spanning 30 years, in which he has been prime minister seven times, twice ousted by the military. It required a national referendum for him to be allowed to return to active politics after the last coup d'etat in 1980, passed by the narrowest of majorities.

In the eye of a gathering storm, Page 12

Clarke offers ERM assurance to UK Tories

By Philip Stephens, Political Editor, in London

MR Kenneth Clarke, UK home secretary, reassured the Eurosceptic wing of the Tory party yesterday that he would not seek sterling's early return to the European exchange rate mechanism.

The declaration underpinned Mr Clarke's claim to replace Mr Norman Lamont as chancellor of the exchequer.

The suggestion that ERM re-entry might be delayed beyond the general election due by 1997 came as the semi-public debate among ministers about Mr Lamont's future intensified pressure on Mr John Major to bring forward his expected summer cabinet reshuffle.

Some senior members of the government want the reshuffle during the Whitsun recess at the end of this month. Friends of Mr Lamont, however, said he had received no indication in conversations with the prime minister that Mr Major had already decided to replace him.

Mr Lamont was said to be "getting on" with preparations for November's unified Budget. It was also pointed out in the chancellor's support that it was only at Mr Lamont's insistence that the government removed from the Maastricht treaty a provision that would have made ERM membership a legal obligation.

Mr Clarke's comments coincided with public admissions from other prominent "pro-European" ministers in the cabinet that they have all but abandoned hope in anything but the long term of retying the sterling to the D-Mark.

Mr Michael Heseltine, trade and industry secretary, said it was "very difficult to see" Britain fulfilling the condition in the Maastricht treaty that all currencies should be in the narrow bands of the ERM by the end of 1994.

Mr Clarke said he would be "surprised" if the pound rejoined the ERM during the lifetime of the present parliament.

His statement was interpreted by his supporters as clear evidence that Mr Major could appoint him chancellor without risking a renewed split in the Conservative party over Europe.

In the past, Mr Clarke's known enthusiasm for Europe and for the ERM have brought warnings from the Eurosceptics and their allies on the Tory right that they would not tolerate his appointment as chancellor.

Speaking to Sir David Frost on BBC Television, though, he said his commitment to exchange rate stability did not imply an early return to the ERM.

In a typically forthright interview Mr Clarke readily acknowledged his ambition ultimately to be prime minister. He dismissed suggestions of a challenge to the present incumbent.

THE LEX COLUMN

The cost of clean water

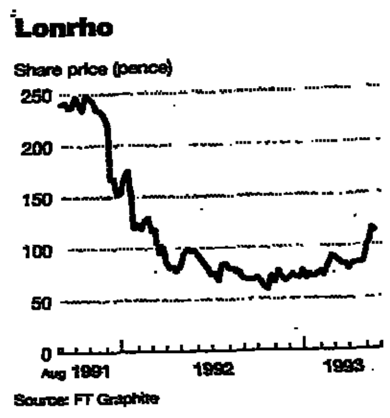
Last week Anglian drinkers apparently voted to pay more for better quality water out of the tap. Such an improbable result probably owes something to concern about the level of agricultural nitrates sluicing through local rivers. Similar consultation exercises by other water companies have shown more scepticism from consumers about the costs of environmental improvements. The companies have used this market research as a sighting shot for the 1994 review of water charges.

Those shots – some aiming for 15 per cent real price rises – are certainly too high. Mr Ian Byatt, director-general of Ofwat, may think that real increases much above 2 per cent are excessive. Capital programmes are thus unlikely to be the gold-plated versions which are at the optimistic end of the water companies' suggestions. Post-1995 price caps will vary with each company's need for capital expenditure. Those with looser caps like Anglian will see turnover grow and, if costs are controlled, profits will also rise. But the higher capital expenditure will also push up interest costs substantially. Anglian estimates that on its central assumptions gearing will peak at 80 per cent in 1998, with interest cover down to three times. It also has dividend cover of 2.7 times earnings against the sector average of 3.2 times.

At the other end of the rainbow Welsh Water may well have its price rises limited to the rate of inflation. That implies low turnover growth, but interest charges will be correspondingly modest and dividend cover is 4.4 times. The other problem for the high-spending companies is that Mr Byatt may be concerned about the divergence in bills between different areas of the country. Increasing pressure on capital intensive companies make rights issues for the most stretched a distinct cloud on the horizon.

UK property

With equities drifting sideways and the gilts market in danger of flooding, fund managers are looking for alternative investments. Such is their dilemma that some even seem prepared to curb their historical aversion to bricks and mortar. Property has been widely viewed as a lumpy illiquid class of asset with a hopeless investment history. But with yields in excess of 9 per cent currently making acquisitions self-financing, property looks enticing. German investors have



spotted the opportunity, buying £687m of UK property last year. Recovery prospects and a gut feel that the bottom of the market must soon be reached may tempt their UK counterparts to follow.

Investors, though, want secure retail and industrial sites or high yielding long-lease modern office buildings occupied by blue-chip tenants. The trouble is such properties are scarce; few owners want to sell them. Prices at the top of the market may therefore rebound sharply. The weight of money will then lower yields on prime space stimulating interest in secondary markets. With a strengthening economy and falling unemployment, investors will eventually look to buy for growth rather than yield. Cheaper second-tier assets will then become even more attractive.

The theory is fine; the market's practical complexities, though, may still deter. A more flexible means of gaining exposure is buying shares of quoted property companies. But prices have already rallied and few companies seem capable of increasing dividends quickly. Those that are, such as Land Securities, are already trading at a premium to net assets. That, though, may simply prove another prompt to buy the real thing.

Lonrho

Something is certainly making a difference to Lonrho. Last week's rush of buying took its shares above the 115p price paid by Mr Dieter Bock for the stake he bought from Mr Tiny Rowland. There are three reasons for this change of sentiment. Metals prices, especially gold, are stronger; Gencor's restructuring has revived hopes of it buying a chunk of Lonrho's 73 per cent stake in Western Platinum; the decision to sell the Observer shows Mr Bock is exerting a strong and positive influence.

All these factors, though, are flawed as the basis for a sustained recovery in Lonrho's price. While gold is currently firm, the price of rhodium, on which Lonrho arguably depends more heavily, remains depressed. Gencor's primary focus is on Shell's mining assets. It seems in no hurry to increase its Western Platinum stake.

As for the Bock factor, the case is not yet proven. Since his arrival Lonrho has moved quickly to sell German real estate as well as the Observer. But even allowing for these disposals, gearing is probably still close to 60 per cent once minorities are excluded. That is not a comfortable starting point for expansion. The time to judge Mr Bock will be when he has revealed what he is going to do with the company and how it will be financed.

Shell/BP

The marked divergence between investors' attitudes to Royal Dutch Shell and BP must leave the Anglo-Dutch giant feeling a little aggrieved. BP has slashed its dividend, cut capital expenditure and still has over 90 per cent gearing. It has also rallied to within an ace of the ill-fated 1987 rights issue price and yields only 3.25 per cent. Shell is expanding, has 3 per cent gearing yet languishes on 4.5 per cent yield.

US buyers have sucked BP's shares out of the UK for its lower cash flow rating. UK fund managers may now be tempted to chase the performance they have missed in BP's rally. There is also concern that the normally smooth Shell machine has fumbled the ball at Showa Shell in Japan. BP's dividend cover may approach two times by this year end, though any increase will probably have to wait until the end of next year. And there is still the threat of a rights issue in 1995-96.

Shell's dividend cover is low, though it will build to over 1.5 times in 1994 as the world economy recovers. Even if conditions remain poor, Shell's rock-solid balance sheet means there is no threat of a dividend cut. Its first-quarter figures also suggest that the haemorrhaging in the chemicals business may be slowing. That reflects the upturn in the US and capacity cuts in Europe. Signs that Shell was moving aggressively on cost cutting might draw attention back to the huge yield gap between the two companies.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	16	61	Frankfurt	S	17	63	Majorca	S	22	72	Oporto	F	18	64	Tenerife	S	22	72
				Brussels	S	15	59	Geneva	S	18	64	Malaga	S	20	68	Oslo	F	15	59	Tokyo	F	19	66
				Budapest	F	24	75	Gibraltar	S	19	66	Malta	S	22	72	Paris	S	16	61	Toronto †	F	5	41
Ajaccio	S	22	72	Buenos Aires	F	17	62	Glasgow	C	10	50	Manila	F	36	97	Prague	S	17	63	Tunis	S	25	77
Algiers	S	25	77	Cairo	F	30	86	Helsinki	S	20	68	Melbourne	C	13	55	Reykjavik	F	2	36	Valencia	S	23	73
Amsterdam	F	15	59	Cape Town	C	19	66	Hong Kong	C	28	82	Mexico City	C	25	77	Rhodes	S	20	68	Venice	S	23	73
Athens	S	23	73	Caracas	F	29	84	Innsbruck	F	16	61	Miami †	S	23	73	Rio de Janeiro	R	22	72	Vienna	C	21	70
Bahrain	S	32	90	Casablanca †	S	21	70	Inverness	F	11	52	Milan	F	23	73	Rome	F	21	70	Warsaw	F	18	64
Bangkok	C	32	90	Chicago †	C	8	46	Islamabad	F	34	93	Montreal †	S	13	55	Salzburg	F	15	59	Washington †	S	19	66
Barcelona	S	20	68	Cologne	S	17	63	Istanbul	F	17	63	Moscow	S	23	73	S'Francisco †	S	12	54	Zurich	C	15	59
Beijing	S	24	75	Copenhagen	S	15	59	Jakarta	R	33	91	Munich	C	15	59	Seoul	F	20	68				
Beirut	C	21	70	Corfu	F	21	70	Johannesburg	S	16	61	Nairobi	R	22	72	Singapore	F	29	84				
Belfast	F	13	55	Dallas †		-	-	Lisbon	S	20	68	Naples	F	21	70	Stockholm	F	21	70				
Belgrade	T	23	73	Dublin	S	12	54	London	C	13	55	Nassau	C	32	89	Strasbourg	F	17	63				
Berlin	C	15	59	Dubrovnik	R	20	68	Los Angeles †	S	17	63	New Delhi	S	39	102	Sydney	C	15	59				
Bermuda	F	23	73	Edinburgh	R	13	55	Luxembourg	C	15	59	New York †	S	21	70	Taipei	F	30	86				
Bombay	F	32	90	Faro	S	21	70	Madeira	C	20	68	Nice	S	21	70	Tangier	S	24	75				
Bordeaux	F	22	72	Florence	F	22	72	Madrid	F	21	70	Nicosia	S	22	72	Tel Aviv	C	24	75				

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Monday May 17 1993

INSIDE

Merger forms big US metals trading group

AIOC Corporation, a privately-owned New York-based company, is being catapulted into the ranks of the world's major metals trading groups by acquiring Axel Johnson's raw materials trading subsidiary from the Swedish conglomerate. The merger would make AIOC the biggest independent US-based physical metals trading group. Page 15

Tanker fleet to be cut

Royal Dutch/Shell, the Anglo-Dutch oil group, plans to rationalise its shipping operations in an effort to cut costs and reduce exposure to increasing environmental liabilities of the oil tanker trade. Mr Ian McGrath, managing director of Shell International Marine, said the company would reduce the number of large oil carriers currently held in its four deep-sea fleets from 42 to 30 by 1997. Page 14

Parmalat makes rights issue

Parmalat, the acquisitive Italian dairy products group, is raising L427bn ($290m) through a rights issue to buy out the controlling Tanzi family's minority stake in its main operating subsidiary and create funds for future growth. Page 15

Traders wonder what is to come

Everything the Spanish bond market had been piously taught to expect has to be unlearnt. Restrictive monetary policy has been turned on its head and what bond traders had come to call the corset, has been stripped off and abandoned. This has left everybody wondering what will happen next. Page 16

Airlines decline

Singapore Airlines, consistently one of the world's most profitable airlines, has finally succumbed to the effects of the recession in much of the industrialised world. Thai Airways International reported a decline in second-quarter earnings. Page 15

DTB suspends three over 'irregularities'

By Tracy Corrigan in London

THE second revelation of trading manipulation on a European futures exchange in less than a month has shaken futures traders and their clients.

The Deutsche Terminbörse (DTB), the German futures and options exchange, announced late on Friday that it had uncovered trading "irregularities" which could lead to criminal charges.

Three weeks ago, BZW Futures, the futures broking arm of Barclays de Zoete Wedd, suspended four of its floor traders pending disciplinary hearings by the London International Financial Futures and Options Exchange (Liffe).

The DTB has suspended three traders. It is believed that at least one member firm and one firm outside the exchange are involved in the irregularities.

A DTB spokesman declined to reveal the nature of the irregularities, or the contracts involved, saying that he "wants to keep the black sheep insecure" while the investigation, which began two months ago, is pursued.

The DTB went public on the investigation after one of the suspended traders admitted his involvement, according to sources close to the affair.

While the alleged rule violations on Liffe involved profits on improper trades of only around £5,000 ($7,700) and would not form the basis of any criminal charges, the DTB spokesman suggested that the irregularities detected on the DTB could be on a large scale. "The black sheep have tried to cover the manipulation in a professional way," he said. He added that, to the exchange's knowledge, there had been no damage to clients.

Although dubious practices in the futures markets have become less common, such cases do not help improve the image of the futures business, which is still seeking to recover from the effect of a case of illegal trading in the US which culminated in a Federal Bureau of Investigation sting operation at the Chicago Mercantile Exchange in 1989.

Federal indictments were brought against 48 traders, alleged to have illegally benefited from trades done on their personal accounts. As a result, 46 have been convicted at trial or through plea agreements.

DTB rules have legal force and the exchange can pursue the traders involved through the prosecutor's office.

Richard Lapper analyses the prospects of a new wave of investors for the market

Lloyd's acts to ensure a fresh supply of capital

MR ROBERT Hiscox, deputy chairman of Lloyd's of London, waxes lyrical about the prospects of a new wave of investors at the insurance market.

"The US investment banks are beating a path to my door," he says.

Lloyd's moved to revamp its capital structure last year. But the publication last month of a business plan outlining the basic terms on which new incorporated capital can participate, has unleashed frenetic activity among the market's 100 or so insurance agencies.

While Mr Hiscox has been crossing the Atlantic with bewildering frequency, other agents and brokers are working on plans ranging from the incorporation of existing Names, to the establishment of ambitious new investment funds.

"People are running around on corporate capital all over the place," says Mr Cliff Hampton, of Phoenix Securities, a specialist securities house which is also working on its own schemes.

Almost universally at Lloyd's, an influx of incorporated capital – which would have limited liability – is seen as essential for halting the decline in the market's capacity to compete in international commercial insurance and reinsurance markets. The market's traditional capital supply – individual Names trading on the basis of unlimited liability – is drying up in the wake of losses of some £6bn ($9.24bn) in the past five years. Capital supplied by Names is expected to fall to less than £8bn in 1994, compared with £11.1bn in 1991.

Corporate capital could come from several sources:

Existing wealthy Names: can now form companies – with limited liability. To do this though they would need assets of at least £1½m – compared with the £250,000 required by existing Names.

Existing less wealthy Names: Members' agencies are also working on schemes which would allow Names to form groups trading on a limited liability basis.

Insurance companies: Two Lloyd's agencies have set up "consortium" arrangements, in which the insurance company underwrites business alongside the Lloyd's syndicate. Japanese insurance companies are understood to be expressing tentative interest.

Venture capital: A number of investment banks – mainly from the US – are looking to venture capitalists to back new funds, through private placements. These would trade at the Lloyd's of London market as corporate Names. They will be encouraged by the backing offered by private US investors – such as Texas-based financier Mr Richard Rainwater and Vermont-based Mr Jack Byrne – to a number of new Bermudan reinsurance companies over the past year.

Institutions: A number of agents hope to establish funds, backed by institutional investors or directly by individuals who would buy shares in investment trusts sold on the retail market. "It would be the nearest thing to buying shares in Lloyd's," says Mr Michael Wade, a broker who has teamed up with Sedgwick Group, the Lloyd's agency and broker, to examine the possibilities here. There are hopes that some of these new funds and new companies could be listed on the New York or London stock exchanges, making the investments more liquid and providing capital with an exit route.

US investment banks like JP Morgan and Salomon Brothers, and international insurance brokers like Marsh McLennan and Johnson & Higgins, are most active in exploring these new ventures.

The banks believe that sharply increased insurance rates create attractive opportunities for profit, while the brokers are keen to find new sources of capacity to allow them to place clients' business more easily.

Morgan and Marsh have already teamed up a number of new Bermuda-based ventures – including one which will supply reinsurance exclusively to Lloyd's syndicates.

"We've taken a lot of interest in Lloyd's over the last six months," said Mr David Jarvis of Salomon Brothers. "We have not made a final conclusion but we are looking at a number of possibilities. The insurance market is going through a period of very considerable change and all these things are very interesting to us."

Matters should become clearer when Lloyd's publishes a rulebook in the summer, providing more details on legal and accounting arrangements, as well as on the regulatory and tax implications for incorporated Names. Lloyd's plans to control the amount of capital which comes into the market to avoid the growth of capacity, which led to disastrous rate competition in the late 1980s. This will possibly be achieved through a a bidding system, although the rules as to how this will work have still to be spelled out.

Some agents fear that the new rules will be too late to allow any corporate Name to participate in 1994.

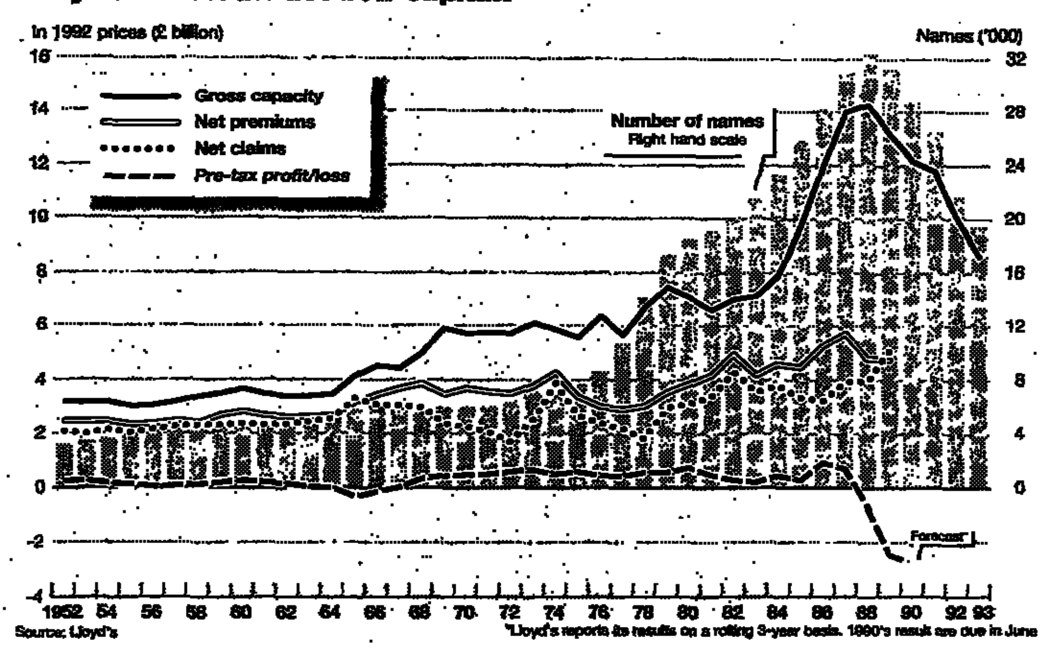
Lloyd's must surmount a number of obstacles if its plans are to be successful. It still has to convince the markets that billions of dollars of old liabilities from US asbestosis and pollution claims can be isolated in a new reinsurance company, whose formation is a centrepiece of the new business plan. Many investors will also want to see evidence that a settlement of the litigation dogging the market is on the horizon before they commit themselves.

Moreover, many agents and syndicates may still have ground to make up before they can meet the much tougher standards of professionalism and disclosure that corporate investors will demand.

"Attracting corporate capital is not like falling off a log," says one senior industry analyst in London. "The businesses at Lloyd's will have to develop presentations that have real arithmetic substance. It won't be enough simply to say we think we can make 50 per cent underwriting margins."

Mr Hiscox admits it will be hard work. "There are a lot of horses out there and a lot of water to drink. But there is also a lot of barbed wire in between."

Lloyd's: can it attract new capital?



Source: Lloyd's

*Lloyd's reports its results on a rolling 3-year basis. 1990's result are due in June

SBC scrip offer for BICC and Redland

By Norma Cohen, Investments Correspondent

SWISS Bank Corporation has reached an agreement with Barclays de Zoete Wedd under which SBC will pay shareholders in BICC and Redland a higher cash alternative for the enhanced scrip dividends announced by both companies. BZW, which devised the scrip dividend scheme, had planned to buy shares from investors at a 5 per cent discount.

SBC's offer is similar to one it made for the additional scrip dividends issued by BAT, in which it offered to pay shareholders 2 per cent less than the market price. The higher price offered for the shares increases the likelihood that investors who elect the scrip option – and 91 per cent of BAT's shareholders have done so – will choose to sell their extra shares.

Some 21 per cent of BAT shareholders have sold their extra shares, compared with 18 per cent of shareholders in RTZ, for which there was no additional cash offer.

SBC, which made its offer after the less attractive one from BZW had been announced, has agreed to make some compensatory payments to its competitor to cover marketing, promotion and printing costs. No compensatory payments are to be made in the Redland or BICC deals.

In the case of BICC shares, SBC is offering to pay 19.47p per ordinary share compared with the 18.87p offered by BZW. In the case of Redland, SBC is offering 24.62p per share against the 23.87p offered by BZW.

So far, six UK corporations have issued enhanced scrip dividends, offering shares worth 50 per cent more than the alternative cash dividend, to minimise the amount of unrecoverable Advance Corporation Tax they must pay. Scrip dividends do not incur tax charges and several issuers have saved substantial amounts by making the offering.

Mr Brian Keelan, executive director of corporate finance at SBC, said the offer followed an analysis of BZW documents issued for the BAT deal. SBC concluded that the underwriters exposed themselves to three days of market risk in their offer to repurchase the shares, and a discount of 5 per cent was excessive. In typical rights offerings, underwriters expose themselves to market risk for longer for a discount of 2 per cent.

SBC job cuts, Page 15

Shifting private sector funds to more countries

Economics Notebook

By Peter Norman

FINANCIAL markets tend to give to those who already have.

Nowhere is this more evident than in the relationship between providers of capital and developing nations. One of the challenges facing economic policy makers is to increase the flow of private investment capital to many promising developing countries that are currently attracting too little.

The problem is of more than academic interest. Italy or Spain are only a few hours fast boat ride from the southern shore of the Mediterranean while the collapse of communism has made a western standard of living seem tantalisingly close to many in former Iron Curtain countries. If countries like Egypt, Morocco or some of the former communist countries of eastern Europe are not helped to grow faster, the pressures of immigration into economically mature western countries will exceed manageable bounds.

In fact, the revival of private sector flows to the developing world so far this decade is one of the economic success stories of the 1990s.

World Bank studies estimate that net foreign direct investment in developing countries rose to about $37bn in 1992, a 75 per cent increase compared with 1990. Joint research by the International Monetary Fund and World Bank suggests the flow of portfolio investments into developing countries through bond issues in international markets or international equity placements by developing country companies was $30bn in 1992 compared with less than $6bn a year between 1982 and 1988.

However, these funds have been very unevenly distributed. Four Latin American countries – Argentina, Brazil, Mexico and Venezuela – accounted for more than half the recorded portfolio flows in 1991-92 with China, Hungary, South Korea and Turkey accounting for much of the rest. A similar group of countries, plus the Czech republic, Malaysia, Indonesia and Thailand has attracted most of the foreign direct investment recently. In 1991 just 10 developing nations received more than 70 per cent of total foreign direct investment.

Private investment is steering clear of sub-Saharan Africa, the poorer countries of south Asia and many former communist countries in eastern Europe and the former Soviet Union.

It is no surprise that some countries find it difficult to attract foreign investment. But there is a "second tier" of countries, mainly in the middle income category, that should offer good opportunities for private investment. Some, like India, have made big efforts to strengthen their overall economic performance and received scant private sector capital from abroad.

It was with these countries in mind that the joint IMF-World Bank Development Committee met in Washington earlier this month to see what, if anything, could be done to spread private sector investment to more countries.

The committee's regular half-yearly meetings, which bring together finance and development ministers from the industrialised, developing and former communist countries with IMF and World Bank officials, rarely attract much notice. But this time, there was a attempt to stimulate debate by Mr Ricardo Hausmann of Venezuela, the committee's new chairman. He had asked governments and outside consultants to put forward ideas on action to encourage private capital flows.

The result was a flood of detailed, mainly micro-economic suggestions, highlighting many complex difficulties. There were 21 proposals for action to be undertaken by developing countries, 23 suggestions directed at industrialised countries and 18 addressed to international financial institutions.

Many papers covered familiar ground, underlining, for example, that host countries should provide political and macro-economic stability. Some reflected a recognition that developing countries which remove barriers to the outflow of capital stand a better chance of luring back flight capital and attracting new private sector flows.

Detailed taxation issues emerged as a big problem, with investors worried about future tax liabilities in developing countries. Regulatory systems in the industrial countries were cited as placing barriers to private investment in some countries. The World Bank was called upon to work with developing countries to make their projects more understandable to rating agencies such as Moody's.

The World Bank said it must give more thought to so-called "second generation" development measures to improve the environment in which companies operate. These would build on "first generation" policies aimed at creating a stable macroeconomic framework and realistic prices.

Unfortunately, the discussion was summed up in a bland and unmemorable communique. The committee concluded that the responsibility for improving investment prospects mainly lies with the host country. But industrial countries have much to do, not least through the lowering of trade barriers.

Indeed the gap in quality between the papers put before the Development Committee and the published account of its deliberations raises the question as to whether it should continue in its present form. The IMF's policy making Interim Committee gives directions to the Fund and, through its communiques, sometimes provides the IMF's member countries with an important checklist of macroeconomic goals.

There is a good argument for the ministers using the Development Committee to give more pointed guidance to the World Bank and its member countries.

International financial institutions (IFIs) such as the World Bank are coming under increased scrutiny to determine whether they are providing a useful service and value for money.

The Development Committee could play a bigger role in making the World Bank's work more accountable and transparent for its members and the taxpayers who fund the bank. But accountability must be part of a two-way process in which the countries that own the IFIs give them clear directions.

O&Y's US lenders become assertive

By Bernard Simon in Toronto

LENDERS to Olympia & York's US properties are becoming increasingly assertive in backing efforts by the developer's US subsidiary to distance itself from its crippled Canadian parent.

Citibank applied to a New York court late on Friday for an order giving special powers to Mr John Zuccotti, president of the US subsidiary. The extra powers would enable Mr Zuccotti, a former deputy mayor of New York, to complete transactions relating to O&Y's US buildings without the assent of the administrator of Toronto-based Olympia & York Developments (OYDL).

The application reflects tensions which have been building since O&Y filed for bankruptcy protection for its Canadian and UK operations a year ago. The 80 per cent-owned US unit, whose properties include the World Financial Centre in lower Manhattan, has remained afloat while Mr Zuccotti attempts to stitch together a restructuring.

Citibank and Sanwa Bank, which are among the largest US creditors, dropped legal action against O&Y last March after the Canadian creditors agreed to name a board with a majority of directors who have no financial stake in the outcome of debt-restructuring negotiations.

Among the transactions Mr Zuccotti is anxious to complete are an agreement to defer payment of New York taxes and a plan to transfer control of a building at 60 Broad Street to Mr Li Ka Shing, the Hong Kong magnate.

Heron sales should raise £90m

By Catherine Milton

HERON International expects to raise £90m in two property disposals to be formally announced next month.

It is understood the vehicle for Mr Gerald Ronson's property and trading activities has agreed the deals, one in Britain and one in continental Europe, but is not yet ready to make a formal announcement. Sales are thought to be at much higher yields than the current norm.

The company may find the deals a useful response to the controversy over Mr Ronson's salary package revealed in documents setting out the planned £1.4bn restructuring. They will go some way to improving the pro forma net asset value shown at £12m.

Mr Ronson's £500,000 a year index-linked salary and five-year contract raised eyebrows when it was revealed in documents covering the restructuring which is due to be completed by July 1, subject to creditors' approval next month.

Without inflation the total package is worth £4.38m over five years. It represents a pay cut from Mr Ronson's current salary of £1.4m.

The business plan underlying the refinancing of Heron's £1.7bn debts as at November – when sterling's weakness increased the value of foreign currency borrowings – depends on a recovery in the property market.

Heron says its property portfolio is worth £900m, making the two deals, one set for the middle and the other for the end of June, worth just 10 per cent of the total. Its disposal plans include housebuilder Heron Homes.

It argues that the only alternative to the bank-backed restructuring would be lengthy and less rewarding insolvency proceedings.

One bond holder representative has conceded that the restructuring must go ahead although it is "flawed", because any suggestion that the restructuring plan had to be renegotiated could lead to the banks withdrawing support.

Prospect of 25% payout for Payroll creditors

By Richard Gourlay

SOME OF London's leading financial institutions stand to retrieve a quarter of the £25.3m they lost last year when Payroll Services went into liquidation, having failed to forward their clients tax and national insurance contributions to the Inland Revenue.

The first instalment follows a novel agreement between 388 of the 390 creditor banks and agreed in the High Court.

Clifford Chance, the law firm, and Touche Ross, the joint liquidators, believe they have established new precedent in the way that liquidations are carried out.

Touche Ross estimates the voluntary agreement has saved up to three quarters of a million pounds in professional and liquidation costs. The agreement will give creditors a much earlier sight of their share of the claim than would have been possible under a normal liquidation, which would usually involve legal procedures against the insolvent company.

Lord Justice Parker, ruling on May 10, gave the two financial institutions which have not supported the agreement *28 days in which to object.*

The SFO is investigating Payroll Services and allegations of misappropriation of client funds.

Payroll Services was supposed not only to pay its clients' employees – which failure to do so would have led to early detection – it was also supposed to forward PAYE and national insurance contributions to the Inland Revenue.

It is believed some of the missing money went into property investments.

The financial institutions leading the liquidation committee and among the more significant creditors are;- Credit Agricole, Creditanstalt, Yamaiichi Sakura Finance and Cantor Fitzgerald.

Touche Ross said it could not say at this stage how much of the balance of the missing funds will be retrieved for creditors and when.

R Dutch/Shell planning to rationalise shipping side

By Deborah Hargreaves

ROYAL DUTCH/ Shell, the Anglo-Dutch oil group, plans to rationalise its shipping operations in an effort to cut costs and reduce exposure to increasing environmental liabilities of the oil tanker trade.

Mr Ian McGrath, managing director of Shell International Marine, said the company will reduce the number of large oil carriers currently held in its four deep sea fleets from 42 to 30 by 1997.

At the same time it will merge its four fleets in the UK, the Netherlands, Germany and France and its separate freight trading organisation into one company based in London. The move will entail losing some jobs among Shell Marine's 350 shore-based staff.

Mr McGrath said under 100 jobs will be cut in an effort to make savings in the order of "several millions of dollars." Shell's marine operations currently employ 2,600 people altogether and the plan was put to the company's staff on Friday. Mr McGrath expects the new company to be formed at the beginning of next year.

Shell had begun to examine its marine strategy in the wake of the Exxon Valdez disaster in 1989, Mr McGrath said. In an effort to reduce its exposure to the risks of liability for environmental damage, the company was trying to carry as much of its own oil in its own ships as was economic. In addition, it had stepped up its inspections of ships chartered.

Shell owns 2 per cent of the world's tanker fleet, but the company said it will lease most of its carriers in future. Freight rates for tankers are extremely low and the world's fleet is getting older. Mr McGrath said rates need to rise before the tanker fleet will be renewed, but he said that 80 per cent of accidents were caused by human error.

Hewlett-Packard purchase

By Alan Cane

HEWLETT-PACKARD, the California-based electronics company, has agreed in principle to buy BT&D, a joint venture between BT and DuPont. Terms were not disclosed, but sources suggested the price was in the low millions of pounds.

BT&D employs 455 people at its Ipswich facility and another 35 in the US and Japan developing and making fibre optic components. It was founded in 1986 to exploit emerging markets for fibre optics in communications.

It is understood that BT and DuPont were prepared to sell the company as part of BT's strategy of getting out of hardware manufacture. Hewlett-Packard, on the other hand, is increasingly focusing on communications as it gears up to become a supplier of "information superhighways" for companies networking their operations globally.

Fund managers dropping US stocks in favour of Japanese

By Catherine Milton

LEADING UK institutional fund managers strongly prefer Japanese equities to US stock, according to the May survey by Gallup for stockbrokers Smith New Court.

Some 24 per cent of fund managers said they would increase their holdings in Japanese equities compared with 1 per cent in the December survey.

A balance of 23 per cent claimed they would decrease holdings in US equities against 16 per cent intending to raise holdings in December.

Mr Peter Lyon, global strategist at Smith New Court, said the Japanese equity market was significantly outperforming the US.

"That disparity suggests there may be a belated shift by UK fund managers toward Japanese equities and away from US equities."

The survey also shows managers moving away from gilts with 14 per cent intending to decrease holdings compared with 9 per cent in March. Smith New Court said this was prompted by fears about UK inflation which they believe are unfounded.

Managers are more optimistic about the 12-month outlook for UK equities than any other main market; 79 per cent said they were bullish about the UK equity market compared with 62 per cent in January.

The survey suggests confidence about the UK economy continues to increase with 35 per cent of very optimistic, more than twice as many as the January survey. They have improved their earnings forecasts for 1993 from 13.8 per cent 14.7 per cent.

The managers expect inflation to pick up in 1993 and 1994, but by less than was expected in the early surveys carried out after sterling's exit from the ERM.

The survey was backed by 89 institutions, handling funds worth £629bn

NEWS DIGEST

Albert Fisher expands in US

Albert Fisher Group is paying up to $4m (£2.5m) to enter the foodservice distribution market in Dallas, through the acquisition of the customer lists, trademarks and certain assets of American Produce & Vegetable Company.

Fisher will use American Produce – which has an annual turnover of about $50m – as its flagship vehicle in north Texas.

Personal Assets

Personal Assets Trust raised net asset value per share to £75.18 at the end of April, against £70.92 a year earlier.

Available revenue for the year climbed from £250,000 to £365,000, giving earnings of 243p (167p). Dividends equivalent to a total of 180p (160p) have already been announced.

In November, the trust made a 1-for-100 share consolidation.

Overseas Trust

Net asset value per ordinary share of the Overseas Investment Trust rose from 274.6p to 350.8p over the 12 months ended March 31. At end-September 1992 the figure stood at 268.8p.

After-tax revenue for the half year to March 31 slipped to £452,000 (£469,000). Earnings per share emerged at 1.19p (1.23p). The interim dividend is lifted to 0.85p (0.8p).

M Grenfell Equity

Net asset value per ordinary share of the Morgan Grenfell Equity Income Trust stood at 122.8p at March 31 1993. That compared with 89.7p a year earlier and with 94.1p at end-September 1992.

Available revenue for the half year to end-March totalled £541,000 (£323,000), equal to earnings of 2.22p (1.32p). The interim dividend is being doubled to 2p.

London Atlantic

Net asset value at London Atlantic Investment Trust improved from 80.3p to 87p over the year to March 31.

Net revenue for the 12 months to the end of March was £1.52m (£1.39m) for earnings per share of 3.33p (3.06p). The final dividend is 2.29p for a total of 3.07p (2.95p).

Break for the Border placing

BREAK FOR the Border Group, whose business is that of restaurateur, live music venue and nightclub from two sites in the West End, is offering 4.81m shares in a placing at 48p.

That values the whole of the company at £4.73m. A listing will be sought and dealings are expected to start on Wednesday.

Fiske & Co is organising the placing which will raise £1.67m for the company. Of that £547,000 will repay shareholders' loans and £328,000 bank indebtedness; the balance will finance expansion and working capital requirements.

Break for the Border cafés have been established as Western style saloon bars and restaurants with live rock music. The food available is Tex-Mex, a mixture of Texan and Mexican dishes.

The company's eventual goal is the operation of units using the Break for the Border and Borderline theme in a number of principal cities across the world.

Negotiations are in hand for an opening in New York, giving new musical acts the chance to play in a top city venue where they can be seen by promoters and record company executives, as well as the public.

In the year ended March 31 1993 turnover came to £4.1m (£4m) and operating profit to £566,000 (£470,000, giving a margin up from 11.7 to 13.8 per cent. The pre-tax outcome worked through at £477,000 (£261,000).

The placing comprises the issue of 4.1m shares by the company and the sale of 706,000 by existing shareholders.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Reed Elsevier (UK/ Netherlands)	Official Airlines Guide (US)	Publishing	£275m	Letter of intent signed
Reed Elsevier (UK/ Netherlands)	Editions Techniques (France)	Publishing	n/a	Controlling interest agreed
Banco Santander (Spain)	Banco de Comercio e Industria (Portugal)	Banking	£101m	Needs Portuguese official approval
Alco Standard (US)	Erskine House (UK)	Office equipment	£67.4m	Recommended cash offer
Fujitsu (Japan)	Ross Technology (US)	Semiconductors	£15m	Securing chip supply
Banque Indosuez (France)	Sheppards (UK)	Stockbroking	£8.8m	Continues intnl expansion
Frederick Cooper (UK)	Spectra Metal Coating (US)	Metal Coatings	£4.6m	US manufacturing base gained
Intercare Group (UK)	RTH (Netherlands)	Mobility aids	£2.9m	Maximum price
Microgen Holdings (UK)	EDB (Norway)	Electronic publishing	£1.1m	Buy through Swedish arm
Blenheim Group (UK)	Sodex (France)	Exhibitions	n/a	Renews European expansion

AIOC acquires metals unit from Axel Johnson

By Kenneth Gooding, Mining Correspondent

AIOC CORPORATION, a privately-owned New York-based company, is being catapulted into the ranks of the world's leading metals trading groups by acquiring Axel Johnson's raw materials trading subsidiary from the Swedish conglomerate.

Mr Alan Clingman, 33, chairman of AIOC and one of its main shareholders, would not give details of the cost of the acquisition, but said both AIOC and Axel Johnson Resources (AJR) had annual sales of more than $1bn.

The merger would make AIOC the biggest independent US-based physical metals trading group, he said. It would give AIOC the chance to "fill a void" in its international operations because AJR would provide a strong business in Europe.

Mr Clingman, who with his partner Mr Alexander Krasner has rapidly expanded AIOC since taking over six years ago, said: "It is a very logical fit for us. They are strong where we are weak and vice versa."

AIOC has substantial international operations which are strong in the Commonwealth of Independent States and other parts of the former Soviet Union, where it now has eight offices. The group handles the full range of ferrous products from iron ore through speciality steel, including ores, ferro alloys, speciality alloys, pig iron and steel in all its forms, as well as aluminium and its raw materials, bauxite and alumina.

AJR will add copper to the list for the first time and substantially increase AIOC's nickel business because the Swedish company has a contract to import nickel, copper and cobalt to Europe from Norilsk in Russia, the world's biggest nickel producer.

AIOC employs about 200 people and AJR about 100. Mr Dag Bjurström, AJR's managing director, will join the AIOC board. Mr Clingman said there would be opportunities to rationalise where both companies had offices in the same city.

Singapore Airlines slips 14.8%

By Kieran Cooke in Kuala Lumpur

SINGAPORE Airlines (SIA), consistently one of the world's most profitable airlines, has finally succumbed to the effects of the recession in much of the industrialised world.

For the year ended March, the airline saw pre-tax profits slide by 14.8 per cent to S$945m (US$591m), compared with 1991-92. Turnover was 4.2 per cent higher at S$5.65bn.

Lower tax provisions due to the availability of high capital allowances help limit the damage lower down the profit and loss account, with net earnings slipping 8.4 per cent to S$850m.

SIA blamed recession in the industrialised world, intense competition and the strong Singapore dollar. There were no aircraft disposal profits, against S$88m last time.

The airline, excluding cargo, engineering and other group subsidiaries, made pre-tax profits of S$794m – down 26.8 per cent – on revenues 2.4 per cent higher at S$5.135bn.

SIA said the transfer of the airline company's engineering activities to a separate engineering subsidiary partially contributed to the fall in company profits.

Last year, SIA increased its capacity by nearly 18 per cent. Four new destinations – New York, Durban, Madrid and Hanoi – were added during the year.

Passenger and cargo failed to keep pace with this increase in capacity. The load factor dropped more than 2 per cent to 67.8 per cent, with the passenger seat factor down 2.2 per cent and cargo down 1 per cent. The yield – the revenue earned per passenger or tonne of freight – dropped by more than 10 per cent.

Analysts said that in spite of the fall in profits, SIA continued to outperform most of the world's airlines. They pointed out that SIA's performance improved slightly in the second half of 1992-93, and that the airline was sitting on a comfortable cash cushion.

Thai Airways declines to Bt449.6m

By William Barnes in Bangkok

THAI Airways International reported a decline in second-quarter earnings to Bt449.6m ($18m) from Bt521.1m in the same period a year earlier.

The results represent a substantial improvement on the first quarter, when net profits tumbled to Bt120m from Bt792.2m.

Profits for the first six months were Bt568.4m compared with Bt1.31bn in 1992.

The company had predicted that a stronger performance from domestic services and cost cutting would help patch up earnings in the second quarter.

The airline has been hit by increased costs, falling demand and fierce competition. Gross revenues in the first quarter were little changed but operating revenues dipped by almost 2 per cent.

Analysts in Bangkok said the airline was still likely to miss substantially its forecast of profits of Bt6.1bn for this year as a whole.

Barclays De Zoete Wedd downgraded its earnings forecast for the full year to Bt2.2bn from Bt4bn after the first-quarter results.

The airline included aircraft sales in its figures, which partly explained the big swings in profits.

Spanish credits fuel $5bn loan speculation

By Richard Waters

TWO Spanish government-backed credits are being brought to the international loans market, adding to speculation that the Kingdom is about to borrow up to $5bn directly from international banks.

In a transaction expected to be announced this week, Ajesa, a company set up as a refinancing vehicle for the Expo '92, is to seek the equivalent of Pta70bn ($603m).

The loan will be denominated in another European currency, probably Ecu, according to one of the banks leading the transaction. Last Thursday's devaluation of the peseta has effectively decreased the size of the loan, in Ecu terms, by 8 per cent.

Ajesa, which carries a guarantee from the Kingdom of Spain, has taken over the assets and liabilities from the Expo in Seville. The spread on the seven-year loan, of just 25 basis points over Libor, was described by one banker as very aggressive. The loan is being led by Argentaria, ABN Amro and Deutsche Bank.

The loan will look tightly priced when set against a DM300m ($188m), five-year loan for RTVE, the Spanish state-owned television company, which was launched on Friday by Chemical Bank. The margin on that facility, which according to Chemical has been accorded a zero-weighting for capital adequacy purposes by the Bank of England, is wider at 35 basis points.

Speculation continued last week that the Kingdom was planning a standby credit facility, as a back-up for its commercial paper programme. However, no terms are believed to have been agreed.

● Repsol, the Spanish oil and chemicals group, reported a slight improvement in first-quarter profits. Operating profits rose to Pta39.4bn from Pta34.4bn in the opening three months of 1992. Net earnings totalled Pta23.6bn, up from Pta21.4bn.

See International Capital Markets

Parmalat package to raise L427bn

By Haig Simonian in Milan

PARMALAT, the acquisitive Italian dairy products group, is raising L427bn ($290m) through a rights issue to buy out the controlling Tanzi family's minority stake in its main operating subsidiary and create funds for growth.

The rights issue will be preceded by a share split which will reduce nominal value to L1,000 and raise the number of ordinary shares to 712m. Parmalat will then make a one-for-10 rights issue at L1,000 a share.

Shareholders taking up their rights will be offered two free warrants for every six new shares subscribed. Each warrant will give holders the right to buy one new ordinary share at L1,000 between 1997 and 1999.

About half the funds from the rights issue will be used to buy out the 22 per cent outstanding stake in the Parmalat operating company not held by Parmalat Finanziaria, the stock market-listed holding company.

This stake is almost all held by members of the Tanzi family, which used to be the group's sole owner.

Parmalat adopted a holding company structure in 1990, when it was restructured in its present form.

The Tanzis gave up control of the parent company, but took a 51 per cent stake in Parmalat Finanziaria through the family's Coloniale holding company.

The pricing formula for the acquisition of their stake is complex. However, the purchase will cost Parmalat Finanziaria an estimated L240bn. Meanwhile, the Tanzis will subscribe to the rights issue, with Coloniale buying just over 50 per cent of the shares on offer at a cost of L213.7bn.

The remaining funds from the rights issue will be used to finance expansion. Parmalat has grown rapidly in recent years and this year expects sales to rise to about L2,800bn from L1,636bn in 1992.

Although it has given no indication of imminent takeover targets, it is known to be bidding for the milk and tinned vegetable interests of the state-owned SME foods group currently being privatised.

Alps Electric plunges to Y1.95bn

By Michiyo Nakamoto in Tokyo

ALPS Electric, which supplies parts to consumer and other electronics manufacturers, saw pre-tax profits fall to Y1.95bn ($17.5m) for the year to March 1993.

This compared with Y7.02bn in the previous year, and was due to the fall in both corporate and consumer spending.

The company expected difficult conditions to continue and forecast that it would only break even at the pre-tax level and fall into net loss in the current year.

The decline came largely as a result of the weakness in the Japanese and European markets, Alps said. In Japan, production in the electronics industry fell by 12 per cent, according to industry estimates.

Alps' sales fell 14 per cent to Y292bn from Y339bn while net profits are expected to fall 78 per cent to Y600m.

Sales of electronic parts to colour TV and VTR manufacturers were particularly weak, falling 25 per cent, followed by a 21 per cent fall in sales to audio manufacturers.

Sales to the information and telecommunications industries were depressed at home but it was helped by increased sales to the US and saw overall sales decline just 1.7 per cent.

Alps said that while the electronics industry's inventory adjustments had been more or less completed, full-scale recovery was not likely in the near future as consumer spending was still at a low level.

The pressures of the yen's appreciation were also expected to impact negatively on this year's earnings.

The company is forecasting a 4 per cent decline in sales to Y280bn and a net loss of Y1.5bn in the current year.

● Taiyo Fishery, the large fishing company, forecast an increase in pre-tax profits for the year to Y1bn against a Y1.8bn loss in the previous year.

Swiss Bank Corp to cut 200 jobs

SWISS Bank Corporation will reorganise its North American operations and cut 200 jobs this year, AP-DJ reports from Zurich.

The bank said the objective was to create a powerful capital markets and treasury and corporate finance franchise, complemented by a funds management and private banking strategy.

While it was eliminating existing duplication, the bank said it expected a "substantial potential for head-count expansion in the years to come".

SBC has combined its former corporate and merchant banking units to form a single North American merchant banking group. It is integrating its support and staff functions to create single units across business lines wherever possible.

It will concentrate its West Coast client coverage in its San Francisco office and close its Houston office by the end of the third quarter.

The bank said the realignment was driven by its continued strategy to build an integrated merchant and investment bank.

Areas most affected by the job reductions were merchant banking, support, logistic and staff units, the bank said.

In the merchant banking group, SBC aims to strengthen its position in credit portfolio management and "to focus on obtaining advisory based mandates in the US, Canada and Latin America."

Siderca seeks control of Tamsa

By Damian Fraser in Mexico City

SIDERCA, the Argentine steel tube maker, is set to take effective control of Tubos de Acero de Mexico (Tamsa), Mexico's only manufacturer of steel tubes.

This follows agreement by important Tamsa shareholders to set up a trust of 20m shares in which the Argentine company will have majority interest.

Tamsa's shareholders voted to let Siderca's international division buy shares not taken up in a $75m Tamsa rights issue.

The two moves should enable Siderca to take operating control of Tamsa, although the Mexican steel tube company will continue to maintain its separate identity.

The deal underscores Siderca's ambitions to consolidate its share of the international steel tube market.

Siderca recently reached agreement with Confab of São Paulo, Brazil to swap 30 per cent of each other's shares.

Siderca is Argentina's largest private exporter, with annual production of seamless steel tubing of about 750,000 tonnes a year, most of which is exported to more than 50 countries.

Tamsa, which had sales last year of 919m new pesos ($296m), has suffered recently from strong international competition. It has also been affected by the restructuring of Petoleos Mexicanos, its main client.

The Tamsa rights issue is 6-for-25 at $5.54 per share. Tamsa is listed on the New York stock exchange.

Siderca will have the right to buy up those shares not subscribed to.

The issue had been opposed by the State of Wisconsin investment board, which has a 7 per cent holding in Tamsa.

● Alfa, the Mexican industrial conglomerate, is set to launch an initial public offering of 15 per cent of the capital of its steel subsidiary Hyslamex.

The offering is expected to raise $150m-$200m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.05.93: Pool purchase price £/MWh	Final Prices for Trading on 18.04.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	21.95	18.02	18.02
0100	35.00	18.02	18.02
0130	35.00	35.00	35.00
0200	35.00	35.26	39.69
0230	35.00	35.26	39.60
0300	20.60	35.26	39.49
0330	20.60	27.47	31.39
0400	20.60	27.47	31.43
0430	20.60	18.11	18.11
0500	20.60	18.07	18.07
0530	18.52	18.03	18.03
0600	18.52	18.03	18.03
0630	18.52	18.03	18.03
0700	18.52	18.02	18.02
0730	18.54	18.02	18.02
0800	25.27	20.97	24.70
0830	25.27	21.28	25.00
0900	25.70	26.79	30.78
0930	25.27	26.79	30.78
1000	27.32	26.79	30.74
1030	27.32	26.79	30.70
1100	27.32	27.04	30.92
1130	27.98	29.13	33.06
1200	29.96	29.64	33.54
1230	29.96	37.45	41.84
1300	29.96	37.45	41.65
1330	27.98	37.45	41.71
1400	25.70	29.64	33.67
1430	25.70	26.79	30.76
1500	24.54	18.11	18.11
1530	18.72	18.09	18.09
1600	18.74	18.09	18.09
1630	24.54	18.07	18.07
1700	25.47	18.07	18.07
1730	24.60	18.09	18.09
1800	38.00	21.28	25.01
1830	38.00	18.11	18.11
1900	38.00	18.09	18.09
1930	25.47	18.09	18.09
2000	26.50	21.28	24.86
2030	26.50	26.79	30.56
2100	26.50	29.64	33.50
2130	30.34	31.50	35.40
2200	31.50	31.50	35.41
2230	31.50	29.13	33.00
2300	29.07	29.95	32.93
2330	25.03	21.28	25.03
2400	25.03	18.54	18.54

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.05.93: Pool purchase price £/MWh	Final Prices for Trading on 18.04.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.55	18.03	18.08
0100	18.54	35.00	35.00
0130	25.03	35.00	38.97
0200	25.03	33.91	37.60
0230	25.03	33.91	37.50
0300	18.72	33.91	37.43
0330	19.00	25.78	28.97
0400	19.00	18.54	18.54
0430	18.66	18.07	18.07
0500	18.54	18.07	18.07
0530	18.52	18.07	18.07
0600	18.52	35.00	35.00
0630	18.64	35.00	35.00
0700	19.07	35.00	35.00
0730	25.83	26.39	29.65
0800	26.48	25.42	28.55
0830	31.33	28.03	32.25
0900	31.90	29.06	32.27
0930	31.90	29.07	32.28
1000	31.87	29.07	32.30
1030	31.86	27.91	31.11
1100	31.93	27.91	31.10
1130	32.18	27.91	31.11
1200	34.78	27.92	31.11
1230	34.74	27.91	31.10
1300	32.05	27.89	31.02
1330	31.33	26.34	29.37
1400	26.88	25.41	28.42
1430	26.29	25.41	28.42
1500	26.28	25.12	28.12
1530	27.82	25.12	28.12
1600	27.88	25.12	28.12
1630	31.09	34.64	37.92
1700	36.37	35.00	38.27
1730	36.31	35.00	38.28
1800	36.17	29.00	32.12
1830	26.60	25.12	28.13
1900	26.22	25.12	28.14
1930	26.21	25.12	28.15
2000	26.21	19.00	19.00
2030	25.38	24.76	27.75
2100	25.38	40.88	44.34
2130	36.00	40.88	44.27
2200	36.00	40.86	44.32
2230	36.00	30.23	33.45
2300	25.38	24.78	27.78
2330	24.67	24.76	27.83
2400	24.49	18.54	18.54

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Prices stalled by concerns over next auction

GILT prices moved sideways in volatile trading as the market found little stimulus to higher prices. A dominant concern was that the next gilt auction, scheduled for May 26, will force up yields.

With a rush of figures this week about the UK economy, many investors were chary of doing much buying and selling of gilts. The Danish referendum tomorrow on Maastricht and the Bundesbank council meeting on Thursday – which some believe will decide on another cut in interest rates – added to the sense of nervousness.

This month's auction is likely to be of a further £3bn or so of stock, in the 10-15 year maturity range, with further details being announced tomorrow.

At the same time, the Bank will publish its latest quarterly report on inflation, which is expected to comment in detail on monetary developments of recent months and the fact that pressures on prices may be starting to re-appear on fragile signs of recovery.

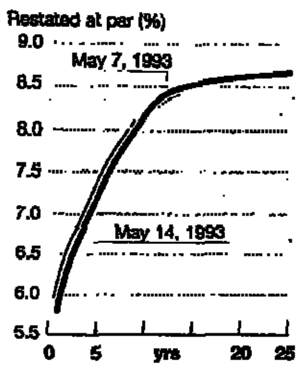
In recent weeks, the Bank's regional agents – a network of people around Britain who report once a month to Bank officials in London about economic trends – have indicated that more companies are keen to pass on to customers rising costs arising from wages and materials.

This trend is seen in the Bank as worrying and underlining the need for caution in handling any possible adjustments in interest rates in the coming months.

There has been some satisfaction at the Bank at the relatively good reception among small, retail investors for gilts in recent weeks.

Even so, a great deal of optimism is needed to believe that the £50bn or so of gilts which the Bank will probably need to sell during the current financial year will find ready buyers. The chances are that prices will come down, particularly at the long end of the market where it is thought yields might rise in anticipation.

UK gilts yield



Source: Warburg Securities

The auction next week could be as high as £3.5bn, according to some theories, in which case a new bout of anxiety may be triggered among investors thinking that the £50bn guesstimate for official gilt sales is on the low side.

With auctions arriving at the rate of one a month, some in the gilt market have been trying to make the case that the Bank should have decided on a policy of having one auction every two months, in which case there would have been longer periods in which the market could have traded free from auction jitters.

That option has been considered by the Bank but ruled out on the grounds that the large volume of stock – up to £7bn or £8bn a time – would have been far too much stock for the gilt market to absorb with comfort.

Attention this week will focus on the latest UK unemployment data, which is due to be released on Thursday. The consensus forecast for a rise of 15,000 last month reflects the widespread scepticism that unemployment has turned the corner so early in a recession, with many dismissing the seasonally adjusted falls in February and March as freak results.

The consensus is that the year-on-year rise in the retail prices index last month will turn out to be 1.5 per cent or, excluding mortgage interest payments, up 3.1 per cent on the year. These details are due to be announced on Friday.

The economic data this week follow the generally encouraging inflation figures from last week, which showed that prices of raw materials and fuel purchased by UK manufacturing industry rose by 7.2 per cent in the 12 months to April, compared with a rise of 8.4 per cent in the year to March.

The output prices index – the prices of manufactured products as they leave the factory gates – rose by 3.8 per cent in the year to April, compared with 3.7 per cent in the year to March.

This trend continues to give the impression that rising prices are not a pressing problem.

Although the figures added some life to the gilt market, prices fell back later in the week, partly because worse than expected inflation data from the US unsettled bond markets on Wall Street.

Peter Marsh

SPANISH GOVERNMENT BONDS

Corset is stripped off and abandoned

EVERYTHING the Spanish bond market had been piously taught to expect for as long as anybody cares to remember has to be unlearnt. Restrictive monetary policy has been turned on its head and what bond traders had come to call the corset has been stripped off and abandoned.

The 8 per cent devaluation of the peseta last Thursday, followed by a 1.5 point cut in the official intervention rate at the end of the week, prompted long bond yields to fall by about 40 basis points and left everybody wondering what would happen next.

Guessing games on this scale have not been part of the domestic fixed income scenario for a long time.

Devaluation was not a surprise. The peseta had been realigned downwards in the European Monetary System by 5 per cent last September and by a further 6 per cent in November. It was not a question of whether the currency would be devalued for a third time, but of when it would be again forced to take the plunge.

What was new this time was the interest rate cut. This had not occured on the previous occasions as the authorities continued to preach strict orthodoxy in the face of the twin demons of inflationary temptations and immoderate wage rises.

At the end of last week, the Bank of Spain appeared to be throwing caution to the wind. It lowered rates on the back of a month-on-month consumer price index rise of 0.4 per cent, the biggest April inflation rise for four years, at a time when the wage agreements were running at about 6 per cent.

Market watchers had to look no further than the June 6 date for general elections to find an explanation for such uncharacteristic behaviour. Faced with a strong challenge at the polls, the government seems determined to cut and run – which is exactly what it had previously insisted it would not do.

The about-turn raises all sorts of questions that bond investors in Spain have virtually forgotten how to ask. For a start, it is possible that given the current official mood, short-term interest rates will be allowed to fall very quickly.

Yield differential

Source: Datastream

It is anybody's guess how much the rates will be brought down by an outgoing government that is rightly appalled by a recession that has wiped out more than 500,000 jobs in the past six months and which continues to destroy them at the rate of some 3,000 a day.

Yet how far can monetary indiscipline go when there is the looming threat of imported inflation?

The April inflation figure would have been worse had food prices not remained static. Rise in service prices were sharply up from 7.3 per cent to 7.8 per cent, and underlying inflation remains menacing at 5.8 per cent year-on-year.

There is the sort of uncertainty in the air which makes the climate fit only for gamblers.

"We are not advising clients to buy strongly in the short because there are too many political factors," says Ms Claudine Innes of brokers Maxwell Espinosa.

When the votes have been counted after the June 6 election, one of two things will happen.

The first is that discipline will return under the aegis of a centre-right coalition government commited to a strong and salutary retrenchment. The second is that, in spite of the collapse of its economic policies last week, the socialist party will manage to scramble back into power, shorn of its majority and bereft of ideas.

Under the first scenario there could be a strong rally. Under the second, the currency speculators are likely to have a field day with the peseta.

Tom Burns

US MONEY AND CREDIT

Long bonds bear brunt of further inflation jitters

A FRESH bout of inflation jitters is running through the US credit markets – just ahead of tomorrow's meeting of the Federal Reserve's policy-making Open Market Committee.

The worries were sparked off by two sets of statistics last week.

The producer price index, released on Wednesday, showed a rise of 0.6 per cent in April, well above analysts' expectations and the largest gain in 2½ years. That sent long bond prices down more than half a point on the day.

Thursday's consumer price index had an even greater impact on the market. It showed an unexpected 0.4 per cent rise last month and, when coupled with the release of figures showing a 1.2 per cent rise in April retail sales, knocked nearly 1¼ points off the long bond.

The bad inflation news was particularly poorly timed from the US Treasury's viewpoint, for it came only a few hours before the government's sale of $8.25bn of 30-year bonds, the last stage in its large quarterly refunding programme.

The worries persisted to the end of the week, with the yield on the long bond standing around 6.94 per cent on Friday night, compared with 6.84 a week earlier.

All this has killed off the market's faint hopes that tomorrow's Fed meeting might ease monetary policy in view of the succession of other recent figures showing the disappointingly slow growth in the economy.

Instead, it has again posed the question of whether inflation is a significant threat, and how soon the Fed's current policy, targeting a 3 per cent rate on Federal funds, might turn tighter.

The consensus among many Wall Street economists is that the latest inflation figures are probably an aberration – the latest in a series of scares which are likely to continue as the economy moves slowly and erratically forward.

This view suggests that it is hard for inflation to take off when the economy may grow by between only 1.5 per cent to 2 per cent in the second quarter, and when unit labour costs are rising by less than 2 per cent in the non-farm sector.

Some bond bears argue that inflation has tended historically to accelerate in the third year of an economic recovery, and since the US is now in this stage it is bound to suffer accordingly.

However, as Mr Mitchell Held, of securities house Smith Barney, points out, the current recovery is different from past ones, with the rate of utilisation of excess capacity falling far short of previous rebounds.

He adds: "The normal rise in the capacity utilisation rate will not come to pass and commodity prices need not rise. Therefore, the normal rise in inflation or inflation fears that often characterises the second, third and/or fourth years of an economic recovery need not materialise."

While bond bears have read dire warnings into the recent sharp rise in the price of gold – which historically has been a measure of inflation fears – many analysts attribute this partly to special factors at work in the precious metals market, including strong demand and worries about supply constraints in the Asia-Pacific region.

Against this background, and with lingering doubts over the sustainability of the economic recovery, a Fed tightening of monetary policy still seems many months down the road, and the current 3 per cent target for Fed Funds could even stay in place for the remainder of this year.

However, at the same time, inflation fears seem likely to stall the rally at the long end of the market around its current trading range – particularly given Wall Street's growing doubts about President Clinton's capacity to push strong, deficit-cutting legislation through Congress.

Martin Dickson

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 8 3/8 95	200	103¼	[illegible]	4.58
ABBEY NATL TREASURY 6 1/2 03	1000	98⅜	[illegible]	6.73
ABN 9 1/8 94	200	105¾	[illegible]	4.14
AETNA LIFE & CAS 7 3/4 16	200	100½	[illegible]	7.70
ALBERTA PROVINCE 8 5/8 98	750	110¾	[illegible]	5.20
ALBERTA PROVINCE 9 3/8 95	600	110⅝	[illegible]	4.65
AMERICAN EXPRESS 0 00	450	80¼		6.91
AMERICAN GENERAL 9 3/4 95	100	109⅝	[illegible]	4.97
AMERICAN INTL 0 04	750	48½	[illegible]	7.04
AMOCO CANADA 7 1/4 02	250	104⅝	[illegible]	6.56
ASFINAG 7 3/8 02	200	106⅜	[illegible]	6.40
ASIAN DEV BANK 0 04	1000	47	[illegible]	6.91
ASIAN DEV BANK 8 96	100	108½	[illegible]	5.31
AUSTRALIA 11 95	200	111⅞	[illegible]	4.75
AUSTRIA 7 3/4 97	200	108½	[illegible]	5.19
AUSTRIA 8 1/2 00	400	113¾	[illegible]	6.01
AUSTRIA 9 1/4 95	100	112	[illegible]	5.00
BANK OF TOKYO 8 3/8 96	100	108⅛	[illegible]	5.25
BANQUE PARIBAS 7 1/2 96	100	105⅜	[illegible]	5.33
BARCLAYS JERSEY 10 5/8 95	250	113⅝	[illegible]	4.29
BASF FIN EUROPE 7 99	200	103¾	[illegible]	6.25
BAYER USA 8 1/4 96	150	108¼	[illegible]	5.43
BELGIUM 8 97	300	109⅛	[illegible]	5.24
BELGIUM 8 3/4 98	400	113½	[illegible]	5.62
BELGIUM 9.2 10	500	113¾	+½	7.16
BELGIUM 9 5/8 98	250	117	[illegible]	5.72
BFCE 7 3/4 97	150	102⅝	[illegible]	5.28
BFCE 9 1/4 95	150	110⅞	[illegible]	4.57
BMW LEASING 7 3/8 96	200	105⅞	[illegible]	5.48
BNP 8 5/8 94	300	105½	[illegible]	3.90
BOOTS 9 97	175	110½	[illegible]	5.70
BP AMERICA 9 3/4 99	250	115⅝	[illegible]	6.43
BPCA FINANCE 8 3/8 98	150	109⅞	[illegible]	5.99
BRITISH COLUMBIA 7 3/4 02	500	107⅝	[illegible]	6.57
BRITISH GAS 0 21	1500	10½	[illegible]	8.24
BRITISH TELECOM FIN 8 3/4 99	200	113¼	[illegible]	6.12
BRITISH TELECOM FIN 9 3/8 98	250	115⅞	[illegible]	5.90
CAISSE FRANCAISE 6 1/4 05	330	98⅜	-1	6.45
CAISSE NAT ENERGIE 11 3/4 95	125	117⅞	[illegible]	4.45
CANADA 9 98	1000	111⅛	[illegible]	4.64
CANADA 10 95	500	112⅝	[illegible]	4.56
CANADIAN PACIFIC 7 1/2 96	100	105¼	[illegible]	5.55
CARIPLO 8 3/4 98	200	108⅝	[illegible]	6.70
CCCE 8 3/4 99	200	114¼	[illegible]	5.99
CCCE 9 1/4 95	300	108⅜	[illegible]	4.15
CENTRUST SAVINGS 0 10	1200	19¼	+⅛	10.38
CHUBU ELEC POWER 8 1/4 98	350	110¾	[illegible]	5.85
CHUGOKU ELEC POWER 7 97	250	104⅞	[illegible]	5.52
CIA NAVIERA PEREZ 9 96	100	99⅛	[illegible]	9.50
CIBA-GEIGY 6 1/2 97	200	104½	[illegible]	5.36
COCA-COLA AMATIL 7 5/8 96	175	107¼	[illegible]	5.28
COMP BANCAIRE 8 1/4 94	250	104⅜		3.89
COUNCIL EUROPE 8 96	100	108½	[illegible]	5.07
CREDIT FONCIER 9 1/4 95	200	110⅝	[illegible]	4.52
CREDIT FONCIER 9 1/2 99	300	117⅞	[illegible]	5.86
CREDIT LOCAL 8 7/8 99	250	114¼	[illegible]	6.12
CREDIT LYONNAIS 9 96	300	110¾	[illegible]	5.21
DAIMLER-BENZ NA 8 98	250	108¾	[illegible]	6.11
DENMARK 0 98	250	74⅝	[illegible]	5.76
DENMARK 5 1/2 97	500	100⅞	[illegible]	5.26
DENMARK 5 3/4 98	1000	101¼	[illegible]	5.44
DENMARK 9 1/4 95	1571	108¾	[illegible]	4.23
DEUTSCHE BK FIN 8 3/8 99	200	115¾		6.19
DSL BANK 7 1/2 96	110	106¾	[illegible]	4.99
DSM 8 1/2 96	150	109	[illegible]	5.28
DU PONT DE NEMOURS 8 1/2 96	250	109⅜	[illegible]	4.97
ECSC 8 1/4 96	193	109⅞	[illegible]	5.27
EEC 8 1/4 96	100	108¾	[illegible]	5.12
EIB 7 3/4 96	250	108	[illegible]	4.94
EIB 9 1/4 97	1000	114⅞	[illegible]	5.42
EIB 9 1/2 98	200	117⅞	[illegible]	5.80
EIB 10 97	250	116¼	[illegible]	5.28
EKSPORTFINANS 0 94	380	94½	[illegible]	4.17
EKSPORTFINANS 7 7/8 96	200	108¼	[illegible]	5.27
EKSPORTFINANS 8 1/8 95	200	106⅝	[illegible]	4.35
ELEC CORP N ZEALAND 9 3/8 96	200	111⅝	[illegible]	5.31
ELEC DE FRANCE 9 98	200	113¾	[illegible]	5.66
ELEC DE FRANCE 9 1/2 95	250	110⅞	[illegible]	4.54
ENERGIE BEHEER 9 95	300	109⅞	[illegible]	4.63
ERICSSON LM 7 7/8 96	150	106⅝	[illegible]	5.68
EURATOM 7 3/4 97	247	108	[illegible]	5.28
EURO CRED CARD TST 9 94	325	105½		4.88
EURO CRED CARD TST 9 1/2 95	845	109⅞	[illegible]	5.35
EUROFIMA 9 1/4 96	200	111¼	[illegible]	4.88
EX-IM BANK JAPAN 9 1/2 00	200	118¼	[illegible]	6.18
EX-IM BANK JAPAN 9 3/4 99	200	118⅞	[illegible]	5.93
EXPORT DEV CORP 8 5/8 00	200	113⅛	[illegible]	6.21
EXPORT DEV CORP 9 1/2 98	150	115⅛	[illegible]	5.87
EXXON CAPITAL 0 04	1800	45⅞	[illegible]	7.01
FARM CRED CORP 7 3/4 96	100	107⅝	[illegible]	5.01
FERRO DEL STAT 9 1/8 09	1000	113⅜	[illegible]	7.62
FINLAND 6 3/4 97	3000	104¼	[illegible]	5.75
FINLAND 7 7/8 97	200	108¼	[illegible]	5.78
FINLAND 9 96	850	110½	[illegible]	5.18
FINNISH EXPORT 9 3/8 95	200	110¼	[illegible]	4.82
FORD CAPITAL 9 3/4 97	250	113¼	[illegible]	6.01
FORD MOTOR CREDIT 6 1/4 98	1500	101⅞	[illegible]	6.00
FUJI HEAVY 8 3/4 99	300	110⅜	[illegible]	6.65
GEFCO 7 5/8 97	150	107⅝	[illegible]	5.35
GEN ELEC CAPITAL 9 3/8 96	300	111⅞	[illegible]	5.09
GEN ELEC CAPITAL 9 5/8 94	200	107⅜	[illegible]	4.18
GENERAL MILLS 0 13	1000	18⅞	[illegible]	8.58
GMAC 9 1/8 96	200	108⅜	[illegible]	5.91
GUINNESS FINANCE 9 96	200	109⅞	[illegible]	4.92
HALIFAX 9 3/8 95	200	108⅞	[illegible]	4.50
HOECHST INVEST 8 1/4 97	100	108⅛	[illegible]	5.73
HOKURIKU 6 1/8 97	200	101⅞	[illegible]	5.68
IBM INTL FIN 5 5/8 95	300	102⅛	[illegible]	4.60
IMI BANK 8 5/8 94	500	105⅛	[illegible]	4.33
IND BK JAPAN FIN 7 7/8 97	200	108⅜	[illegible]	5.75
INTER AMER DEV 7 5/8 96	200	107⅛	[illegible]	4.98
INTER AMER DEV 9 1/2 00	300	118¼	[illegible]	6.17
INTL FINANCE 8 3/4 96	300	111¼	[illegible]	4.88
INTL FINANCE 9 1/4 95	300	109½	[illegible]	4.33
IRELAND 9 1/2 00	250	118⅝	[illegible]	6.43
ITALY 8 1/2 94	1500	105⅞	[illegible]	4.21
ITALY 9 3/8 97	1500	112⅜	[illegible]	5.92
ITALY 9 5/8 99	2000	115⅞	[illegible]	6.27
JAPAN DEV BK 9 1/2 97	150	115	[illegible]	5.31
JAPAN DEV BK 10 98	200	114⅛	[illegible]	4.84
JAPAN FIN CORP 9 7/8 98	150	113⅛	[illegible]	4.70
JAPAN HIGHWAY 8 5/8 01	300	114	[illegible]	6.36
JAPAN HIGHWAY 9 5/8 98	180	112⅛	[illegible]	4.65
KANSAI ELEC PWR 10 98	350	113⅛	[illegible]	4.94
KANSAI INTL AIRPORT 9 98	150	112⅛	[illegible]	5.07
KANSALLIS-OSAKE 8 1/2 95	200	106	[illegible]	5.32
KFW INTL FINANCE 9 94	300	106¾	[illegible]	3.88
KOBE 8 7/8 99	150	114	[illegible]	6.10
LIBERTY MUTUAL 8 1/2 96	150	107⅛	[illegible]	5.90
LINCOLN NATIONAL 9 3/4 95	100	109⅛	[illegible]	5.34
LKB BADEN-WUERTT 7 3/4 94	200	104	[illegible]	3.82
LTCB FIN 8 97	200	108½	[illegible]	5.96
MANITOBA 7 1/2 98	150	105⅛	[illegible]	5.38
MARKS & SPENCER 8 1/4 96	150	109⅛	[illegible]	5.02
MATSUSHITA ELEC 7 1/4 02	1000	104	[illegible]	6.77
METLIFE FUNDING 7 3/4 96	150	106⅞	[illegible]	5.45
MITSUBISHI ESTATE 8 5/8 01	200	110⅞	[illegible]	6.86
MOBIL AUSTRALIA 9 95	200	104⅞	[illegible]	4.16
MONY FUNDING 8 1/4 96	150	98¼	[illegible]	8.87
NACIONAL FIN 10 98	125	107⅝	[illegible]	7.09
NESTLE 6 1/8 97	200	103⅝	[illegible]	5.03
NEW ZEALAND 8 97	150	109⅛	[illegible]	5.54
NEW ZEALAND 8 94	850	105⅛	[illegible]	4.02
NIPPON CRED BK 10 3/8 95	150	110⅞	[illegible]	5.02
NIPPON TEL & TEL 9 3/8 95	200	108⅞	[illegible]	4.42
NOMURA INTL 9 3/8 95	150	107⅜	[illegible]	4.87
NORDIC INV BANK 0 94	150	96	[illegible]	3.95
NORINCHUKIN BANK 8 5/8 97	200	108¾	-1	5.88
NORWAY 7 97	1000	106¼	[illegible]	5.06
NORWAY 7 1/4 97	1000	106⅞	[illegible]	5.26
ONTARIO 7 3/8 03	3000	104½	[illegible]	6.85
ONTARIO 7 3/4 02	2000	108⅛	[illegible]	6.85
ONTARIO 8 1/2 01	600	111	[illegible]	6.64
OSLO 7 7/8 97	150	107¼	[illegible]	5.50
OSTER KONTROLLBANK 8 1/2 01	200	113⅛	[illegible]	6.31
OSTER KONTROLLBANK 9 95	200	109⅜	[illegible]	4.42
PETRO-CANADA 7 1/4 96	200	105⅞	[illegible]	5.09
PETROBRAS 10 96	200	97	[illegible]	11.40
PHILIP MORRIS 9 7/8 98	200	105	[illegible]	8.53
PROCTER & GAMBLE 9 1/2 98	200	114⅞	[illegible]	5.81
PRUDENTIAL FIN 8 1/4 01	300	108¼	[illegible]	6.92
PRUDENTIAL RLTY SECS 0 99	385.216	71½	[illegible]	6.10
QUEBEC HYDRO 9 01	300	112¾	[illegible]	6.83
QUEBEC HYDRO 9 3/4 98	150	115⅛	[illegible]	6.25
QUEBEC PROV 9 98	200	112	[illegible]	6.09
QUEENSLAND GOVT 10 1/4 95	100	111⅛	[illegible]	4.84
RALSTON PURINA 11 3/4 95	150	111¾	[illegible]	5.29
REED PUBLISHING 9 5/8 97	150	113⅛	[illegible]	5.92
SAINSBURY 9 1/8 96	150	110⅞	[illegible]	5.57
SANDOZ O/S FIN 6 3/8 00	300	101¾	[illegible]	6.05
SAS 10 99	200	112	[illegible]	7.37
SAS 10 1/8 95	150	109⅞	[illegible]	5.80
SBAB 9 1/2 95	500	109⅞	[illegible]	4.59
SBC FINANCE 7 3/4 96	200	107⅞	[illegible]	5.10
SEARS EURO TRUST 8 3/4 96	750	109	[illegible]	5.33
SEARS C/S FIN ZERO 98	500	70½	[illegible]	7.01
SEARS ROEBUCK EURO 9 3/4 95	500	108⅞	[illegible]	4.79
SKANDINAVISKA ENSK 7 3/8 97	500	104⅜	[illegible]	6.12
SNCF 9 1/2 98	150	116½	[illegible]	5.72
SPAIN 6 1/2 99	1500	102⅞	[illegible]	5.98
STATE BK NSW 8 1/2 96	200	109	[illegible]	5.30
SWEDEN 5 1/2 95	2000	102	[illegible]	4.64
SWEDEN 6 1/2 03	2000	99⅞	[illegible]	6.62
SWEDEN 9 1/4 98	350	114½	[illegible]	5.69
SWEDISH EXPORT 8 3/8 98	700	108	[illegible]	4.96
THYSSEN FINANCE 7 1/2 99	200	104¼	[illegible]	6.64
TOHOKU ELEC POWER 7 3/4 97	250	107¾	[illegible]	5.51
TOKAI ASIA 11 1/2 95	100	111⅝	[illegible]	5.34
TOKYO ELEC POWER 8 3/4 96	300	110⅜	[illegible]	5.09
TOKYO METROPOLIS 8 1/4 96	200	110	[illegible]	5.03
TOKYO METROPOLIS 9 1/4 94	200	105¼	[illegible]	3.90
TOYOTA MOTOR 5 5/8 98	1500	100	[illegible]	5.62
TOYOTA MOTOR 6 7/8 97	1000	105¼	[illegible]	5.40
TOYOTA MOTOR CRED 8 1/2 94	200	105⅛	[illegible]	3.99
UBS FIN 9 1/8 02	225	115½	[illegible]	6.71
UNILEVER CAP CORP 9 1/4 00	400	116½	[illegible]	6.22
UNION BK FINLAND 8 94	200	102½	+⅛	5.38
UNITED KINGDOM 7 1/4 02	3000	106	[illegible]	6.39
URUGUAY 8 1/4 95	100	103		6.78
VENEZUELA 9 3/4 96	150	102¼	+¼	8.91
VICTORIAN PUB AUTH 8 3/8 96	100	108⅞	[illegible]	5.47
WARNER-LAMBERT 8 1/8 96	100	108¼	[illegible]	5.04
WORLD BANK 8 1/8 01	1500	112⅝	[illegible]	6.16
WORLD BANK 8 3/8 99	1500	113½	[illegible]	5.89
WORLD BANK 8 3/4 97	1500	112¾	[illegible]	5.08
XEROX CORPN 8 3/8 96	100	109	[illegible]	5.68
YOKOHAMA 8 01	200	110	[illegible]	6.43

FLOATING RATE NOTES	Issued	Bid price	Chg on week	C.cpn
ALASKA HOUSING 1/10 01	125	99.90	+.01	3.6825
ALLIANCE & LEICS 0.08 94 £	300	99.82		6.2875
ALLIANCE & LEICS 0.1 95 £	150	99.89	+.05	6.1388
AMERICAN EXPRESS BK 1/8 99	200	95.67	+.15	3.3750
ANGLIA 1/8 98 £	100	99.98		6.1875
ANZ BANKING 0.15 PERP	300	77.38	+1.38	3.4625
AUSTRIA -0.15 05 DM	700	98.05	+.01	8.2250
BANCO ROMA 99	300	99.35	+.03	3.2813
BANK NEW YORK 3/16 97	200	99.81	+.01	5.2500
BANK OF GREECE 1/4 99	250	97.69	+.02	3.6250
BANK OF MONTREAL 1/20 98	250	97.63	-.02	3.4875
BANKAMERICA 3/8 95	500	100.00	+.05	3.5938
BANQUE INDOSUEZ 1/4 97	125	99.65	+.06	4.1875
BARCLAYS O/S INV 1/8 04	350	100.03	+.02	5.0000
BBL INTL 0.05 01	200	94.20	+.1	3.7375
BCI 0.15 98	300	94.81	+.05	3.7750
BELGIUM 94	200	99.90		3.1875
BELGIUM 96	400	99.80	-.02	3.3125
BELGIUM 00 ECU	300	98.95	+.03	8.5625
BELGIUM 1/16 97 DM	500	99.99		8.0000
BFCE -.02 98	350	99.79	-.01	3.7300
BILBAO INTL 0.015 01	150	98.33	+.01	3.4525
BIRMINGHAM MID 1/8 98 £	150	99.94		6.1875
BNP 1/4 95	400	101.87	+.07	5.2500
BRADFORD BINGLEY 1/8 98 £	100	99.37	+.01	6.0625
BRISTOL & WEST 1/16 94 £	150	99.70	+.02	6.0625
BRITANNIA 1/10 96 £	150	99.36	+.01	6.2250
CARIPLO 1/4 99	150	98.13		3.6875
CCCE 06 ECU	200	98.77	-.06	9.5469
CHASE MANHATTAN 1/8 09	400	97.55	+.82	5.2500
CHASE MANHATTAN 1/16 00	250	99.30	-.15	5.0000
CITICORP 1/5 98	500	99.56	+.33	5.0000
CITIZENS FED 0.15 96	100	99.65	+.07	5.0000
COMM BK AUSTRALIA 0.15 PERP	300	99.08		3.7125
CREDIOP 97 ITL	200000	102.23	+.08	12.7500
CREDIT DU NORD 1/16 97	100	99.51	+.17	5.2500
CREDIT FONCIER -1/16 98	200	100.42	+.04	5.0000
CREDIT LYONNAIS 1/8 99	250	100.41	+.05	5.2500
DENMARK -1/8 96	1000	99.38	+.01	3.0625
DRESDNER FINANCE 1/32 98 DM	1000	99.84	+.03	7.8438
EIB -1/4 01 ECU	400	99.89	-.17	9.3828
ELEC DE FRANCE 1/8 99	400	102.15	-.01	5.2500
FERRO DEL STAT 97	420	99.03	-.03	3.2250
FINLAND 97	1000	99.17	-.01	3.4375
FIRST CHICAGO 3/16 96	125	98.43	+.11	3.3750
FLEET FINANCIAL 1/10 98	100	95.71	-.06	3.3500
FUJI BANK 1/4 00	700	97.81	+.01	3.5000
GRACECHURCH MORT 0.2 19 £	175	98.67	+.16	6.2000
HALIFAX 1/16 95 £	350	99.85	+.01	6.1250
HALIFAX 2/25 96 B £	150	99.90		6.0175
HESSISCHE LANDESBK 96	100	99.33	+.09	3.3125
HK SHANGHAI (1) 1/4 PERP	400	82.19	+.81	5.0000
ICELAND 1/8 00	125	100.03	+.16	5.2500
ICO 0.05 97	450	99.76		4.0500
INVESTORS IND 1/8 94 £	125	99.70	+.04	6.3750
IRELAND 98	300	99.54	+.03	3.6700
ITALY 00	500	100.06	-.07	3.6250
ITALY 05 B ECU	1000	93.83	-.16	8.3438
KB IRMA 0.15 11	150	95.96		5.0000
KOREA DEV BANK 1/16 97	200	99.39	+.01	3.5625
LEEDS PERMANENT 1/8 96 £	200	99.75		6.2500
LLOYDS BANK 1/10 PERP S.3	600	78.25	+1.25	3.3710
LUFTHANSA INT FIN 00 DM	1200	94.33	-.27	7.8250
MALAYSIA 1/16 05	650	99.61	+.14	5.2500
MELLON BANK 1/8 96	250	99.70	+.2	5.2500
MIDLAND INTL FIN 1/8 98	200	99.79	+.18	5.0000
MITSUI TAIYO ASIA 0.3 00	1200	97.90	-.01	3.5500
MORGAN JP 0.05 97	200	100.10	+.02	5.2500
MORT FUND A-1 0.35 35 £	100	99.85	+.02	6.5375
NAT BK CANADA 1/16 96	200	98.76	+.08	3.8406
NAT WEST FIN 3/16 05	400	93.71	+.09	3.3750
NAT WEST 1/4 PERP C	500	79.50	+.3	3.3125
NATIONWIDE 0.08 96 £	300	99.24	+.03	6.1113
NATL PROVINCIAL 1/8 96 £	200	99.68		6.1250
NEW ZEALAND 1/8 96	250	100.08	+.02	3.8750
NORTHERN ROCK 1/8 95 £	100	99.97		6.1875
OSTER KONTROLLBK -0.15 95 DM	300	99.50	+.01	8.3500
QUEBEC HYDRO 02	200	98.56	+.62	4.7500
QUEBEC PROV 01	300	95.89	-.08	3.1875
RENFE 98	500	99.07	-.05	3.1250
ROYAL BK CANADA 1/16 05	350	92.48	-.08	3.1875
SKANDINAVISKA ENSK 95 DM	400	98.44	+.2	7.9063
SOCIETE GENERALE 98	300	99.35	+.02	3.2500
STAATSBK BERLIN 0.05 94 DM	4000	100.03		7.6100
STARS (1A) 0.35 29 £	475	99.58	+.07	6.3500
STATE BK NSW 3/16 98	250	99.78	+.04	3.5938
STATE BK VICTORIA 0.05 99	125	99.05	+.1	3.7219
SUMITOMO BK INTL FIN 1/4 00	700	97.88	-.02	3.4375
SWEDBANK 1/4 98	250	99.74	+.05	3.4375
TOWN & COUNTRY 0.1 94 £	125	89.85		6.1000
UNION BK FINLAND 00 DM	300	98.03	+.24	8.3750
UNITED KINGDOM -1/8 96	4000	99.78	-.02	3.0625
WELLS FARGO 1/8 97	250	99.62	+.42	5.2500
WOODSIDE FIN (FEB) 97	300	100.13	+.02	5.2500
WOOLWICH EQUITABLE 1/16 95 £	150	99.75		6.2250

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
BURTON GROUP 4 3/4 01 £	110	134¼		
CHUBB CAPITAL 6 98	250	117	-2⅞	+16.49
EASTMAN KODAK 6 3/8 01	300	105¾	+2¼	+4.02
GOLD KALGOORLIE 7 1/2 00	65	110½	+3⅞	+40.45
HANSON 9 1/2 06 £	500	112⅝	+1	+21.68
HAWLEY 6 02 PREF	400	123⅝	+¼	
HILLSDOWN 4 1/2 02 £	150	124½		
LAND SECS 6 3/4 02 £	84	84⅞		
LASMO 7 3/4 05 £	90	85½	-½	+15.56
MITSUI BANK 2 5/8 03	200	91¾	-½	+23.95
MOUNT ISA FIN 6 1/2 97	100	100¼	+¼	+59.44
OGDEN 6 02	85	92¼	-½	+47.89
PIONEER CONCRETE 9 1/2 98 A$	175	101	+⅛	+61.29
ROCKEFELLER CENTER 0 00	952.25	40⅛	-⅛	+24.44
SMITH & NEPHEW 4 02 £	90	132½	-⅛	+62.20
SUMITOMO BANK 3 1/8 04	300	87⅞	+¼	+38.68
TARMAC FINANCE 9 1/2 06 £	107.5	98⅝	+⅛	
TEXAS INSTRUMENTS 2 3/4 02	300	99½	+⅞	+33.54
THORN EMI 5 3/4 04 £	103	128⅝	-¼	+12.28

DEUTSCHE MARK STRAIGHTS	Issued	Bid price	Chg on week	Yield
AUSTRIA 5 7/8 97	500	97⅞		6.51
BELGIUM 7 3/4 02	500	104⅛	-⅛	7.08
CREDIT FONCIER 7 1/4 03	2000	102		6.96
DEUTSCHE FINANCE 7 1/2 95	1000	101⅞		6.43
ECSC 6 5/8 96	700	106⅛		6.60
EEC 6 1/2 00	2900	99¾	+⅛	6.54
EIB 7 1/2 99	400	104⅝	+⅛	6.60
FINLAND 7 1/2 00	3000	102⅞	-⅛	7.03
IRELAND 7 3/4 02	500	103⅞	+⅛	7.18
ITALY 7 1/4 98	5000	101⅞	+¼	6.89
KFW INTL FINANCE 7 1/4 97	1500	103⅛		6.38
SPAIN 7 1/4 03	4000	101¼	+⅛	7.06
SWEDEN 8 97	2500	104¼		6.72
TOKYO ELEC POWER 7 5/8 02	1000	104		7.02
UNITED KINGDOM 7 1/8 97	5000	102⅞	+¼	6.35
VOLKSWAGEN COM 6 5/8 97	400	105⅛	-⅛	7.06
WORLD BANK 0 15	2000	22¾	-¼	6.77
WORLD BANK 5 3/4 98	300	100⅛		5.69
WORLD BANK 8 3/4 00	1250	112⅛	+⅛	6.52

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	105⅞	+⅛	5.51
COUNCIL EUROPE 4 3/4 98	250	100½		4.63
EIB 6 3/4 04	300	110½		5.48
ELEC DE FRANCE 7 1/4 06	100	112½	+¼	5.82
FINLAND 7 1/4 99	300	109½		5.44
GENERAL MOTORS 7 1/2 95	100	103		5.77
HYUNDAI MOTOR FIN 8 1/2 97	100	108½		6.70
ICELAND 7 5/8 00	100	111¼	+¼	5.67
KOBE 6 3/8 01	240	108½	-½	4.94
NEW ZEALAND 4 7/8 99	200	99½		4.97
ONTARIO 6 1/4 03	400	106¼	+½	5.34
QUEBEC HYDRO 5 08	100	95		5.50
SNCF 7 04	450	114	+¼	5.32
WORLD BANK 5 03	150	100¾	+¼	4.90
WORLD BANK 7 01	600	111¼		5.21

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 5 03	50000	99⅞	-⅝	5.08
AUSTRIA 5 01	75000	99½	-½	5.08
BELGIUM 4 5/8 94	45000	101⅛		3.51
BELGIUM 5 99	75000	100¼	-⅜	4.95
COUNCIL EUROPE 7 94	25000	103½		3.52
CREDIT LOCAL 7 96	30000	108¼		4.11
DENMARK 7 95	40000	105¼	-⅛	3.76
EIB 6 5/8 00	100000	108⅞	-⅝	5.05
EIB 6 3/4 01	50000	110½	-⅝	5.12
ELEC DE FRANCE 5 5/8 96	20000	104¼		4.28
FINLAND 6 3/4 96	50000	108⅜		4.33
INTER AMER DEV 7 1/4 00	30000	112	-½	5.16
JAPAN DEV BK 5 99	100000	101½	-½	4.72
JAPAN DEV BK 6 1/2 01	120000	109⅝	-⅝	5.05
KFW INTL FIN 6 1/4 94	25000	103⅞		3.73
NIPPON TEL & TEL 5 7/8 96	50000	105⅝	-⅛	4.12
NORWAY 5 1/8 95	50000	102½		3.72
ONTARIO 6 1/4 96	50000	105½	-⅛	4.47
PORTUGAL 4 7/8 98	75000	99⅜	-⅛	5.02
SNCF 6 3/4 00	30000	109¼	-⅝	5.10
SPAIN 5 3/4 02	125000	102½	-1	5.39
SWEDEN 5 5/8 95	20000	103½		4.03
TOKYO ELEC POWER 6 96	70000	105		4.16
WORLD BANK 6 3/4 00	50000	109⅜	-½	5.03
WORLD BANK 7 1/4 95	45000	106½	-⅛	3.73

LUXFR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ARBED 7 1/2 95	600	98½	-⅛	8.26
ECSC 7 3/4 94	1000	100		7.72
GENFINANCE LUX 9 1/8 99	1000	105	+⅛	7.87
WORLD BANK 8 98	1000	101⅛	+⅛	7.31

GUILDER STRAIGHTS	Issued	Bid price	Chg on week	Yield
BANK VOOR NED GEM 7 5/8 02	1000	105⅛	+⅛	6.87
EIB 8 7/8 01	300	113½	+½	6.74
ENERGIE BEHEER 8 3/4 98	500	110⅛		6.49

CANADIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALBERTA PROVINCE 10 5/8 96	500	107¼	-⅛	7.58
BELL CANADA 10 5/8 99	150	109½	-⅝	8.57
BRITISH COLUMBIA 10 96	500	106¼	-½	7.62
EIB 10 1/8 98	130	108⅞	-⅝	7.83
ELEC DE FRANCE 9 3/4 99	275	107⅝	-1⅛	8.14
FORD CREDIT CANADA 10 94	100	102¾	-⅛	7.54
GEN ELEC CAPITAL 10 96	300	106	-⅛	7.72
KFW INT FIN 10 01	400	108¾	-1⅛	8.50
NIPPON TEL & TEL 10 1/4 99	200	109	-1⅛	8.36
ONTARIO HYDRO 10 7/8 99	500	110⅝	-1⅛	8.49
OSTER KONTROLLBANK 10 1/4 99	150	109⅝	-1	8.20
QUEBEC PROV 10 1/2 98	200	108⅝	-⅞	8.46

ECU STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALL NIPPON AIRWAYS 9 95	130	101¼	+⅞	8.27
BELGIUM 9 1/8 96	1250	104⅞	+⅛	7.15
BFCE 9 99	100	104⅝	+½	8.05
BRITISH TELECOM FIN 8 1/2 94	150	100¼	-⅛	8.23
CNA 7 3/8 95	120	99⅛	+⅜	7.86
CNA 8 3/4 99	150	103⅛	+⅛	8.08
COUNCIL EUROPE 9 01	1100	107½	+⅞	7.75
CREDIT FONCIER 8 3/8 04	1000	103⅝	+½	7.93
CREDIT LOCAL 9 95	100	101⅞	-⅜	8.02
CREDIT LYONNAIS 9 96	125	103½	+⅝	7.84
CREDITANSTALT 8 7/8 94	67.5	101	+¼	8.10
DENMARK 7 5/8 96	250	100	+¼	7.62
DEUTSCHE BK FIN 8 5/8 94	200	100¼	+½	8.35
EBRD 8 7/8 98	550	105	+⅝	7.14
ECSC 8 97	141	100¾	+⅜	7.74
EEC 9 1/4 98	1120	108	+⅝	7.22
EIB 10 97	1125	108¾	+¼	7.23
ELEC DE FRANCE 8 5/8 99	200	102⅞	-¼	8.01
EURATOM 7 3/8 95	100	100⅛	+⅛	7.31
EUROFIMA 7 5/8 95	165	100⅛	+⅛	7.53
EX-IM BANK JAPAN 10 5/8 95	200	108⅝		7.61
FED BSNS DEV BK 9 94	100	100⅞	+¼	8.11
FERRO DEL STAT 10 1/8 98	500	108¼	+½	7.91
FINLAND 10 1/4 95	250	105	+⅜	7.83
ITALY 10 3/4 00	1000	113⅛	+⅝	8.19
JAPAN DEV BK 8 5/8 97	200	103¾	+⅜	7.57
JAPAN HIGHWAY 9 1/8 96	150	102⅞	+¼	8.13
NEW ZEALAND 10 5/8 97	300	110⅛	+½	7.65
NORDIC INV BANK 9 7/8 96	300	105⅛	+⅛	7.61
OSTER KONTROLLBANK 8 5/8 94	100	100⅝	+¼	8.03
SNCF 9 99	175	105⅛	+⅜	7.77
SPAIN 9 96	1000	104⅝	+½	7.24
SWEDISH EXPORT 9 3/4 94	300	101½	-⅛	8.64
UNITED KINGDOM 9 1/8 01	2750	108⅝	+¼	7.60
WORLD BANK 7 1/2 94	150	99¼	+⅜	8.15

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AIDC 10 99	100	111⅝	+⅛	7.55
BP AMERICA 12 1/4 96	100	113¼		6.93
COMM BK AUSTRALIA 13 3/4 99	100	130	-⅛	7.60
EKSPORTFINANS 12 3/8 95	75	111¼	+⅛	6.34
MCDONALDS CANADA 15 95	100	116¼	+¼	6.53
NEW S WALES TREASURY 0 20	1000	10⅞	+⅛	8.39
R & I BANK 7 3/4 03	125	98⅛		8.03
STH AUST GOVT FIN 9 02	150	105	-½	8.20
UNILEVER AUSTRALIA 12 98	150	118⅝	+⅛	7.33

STERLING STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATL TREAS 13 3/8 95	100	110⅝	-⅛	6.81
ALLIANCE & LEICS 11 3/8 97	100	111		8.04
ASFINAG 12 96	100	111¾		7.24
ASIAN DEV BANK 9 1/2 97	50	106⅛		7.63
BRITISH GAS 12 3/4 95	300	109½		6.78
BRITISH LAND 12 1/2 16	150	113¼	+⅛	11.16
CNT 10 97	70	107⅛	+½	7.59
DAIMLER-BENZ UK 10 3/4 96	100	108⅞	-⅛	7.53
EIB 10 97	636.5	107⅝		7.55
HALIFAX 10 3/8 97	100	108	-¼	7.84
HANSON 10 3/8 97	500	107		8.35
HSBC HOLDINGS 11.69 02	152.724	112		9.65
ITALY 10 1/2 14	400	106	+¼	9.81
LAND SECS 9 1/2 07	200	98	-⅛	9.77
NATIONWIDE ANGLIA 13 1/2 00	125	119½		9.70
ONTARIO 11 1/8 01	100	113	-⅛	8.73
POWERGEN 8 7/8 03	250	100⅞	-⅛	8.84
SEVERN TRENT 11 1/2 99	150	112⅞		8.70
TOKYO ELEC POWER 11 01	150	113⅞	-¼	8.56
WORLD BANK 11 1/4 95	100	108	-⅛	6.84

NEW ZEALAND DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 0 96	100	77⅛	+½	7.86
TCNZ FIN 9 1/4 02	75	110½	+⅝	7.61

FRENCH FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
CEPME 10 95	2000	108⅛	+⅛	8.79
ELEC DE FRANCE 8 3/4 22	3000	107½	+¼	8.07
SNCF 9 1/4 97	4000	107⅞	+¼	6.95

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI GLASS	25/06/98	20½	-⅛	18.29
CANON	24/05/95	12½	-4⅛	13.64
DOWA MINING	18/03/97	23⅞	+1⅝	7.25
HANKYU DEPT STORES	14/03/96	6⅝	-⅛	41.67
HINO MOTORS	08/07/94	1⅞		44.58
KOBE STEEL	12/08/98	4⅞	+¼	58.78
MITSUI TOATSU CHEM	30/01/98	4½		
MORINAGA	13/08/95	12¾	-⅛	12.73
NICHIREI CORP	11/06/98	20⅝	+⅞	18.25
NIPPON COMSYS	31/01/95	20⅝	+1⅝	5.83
NISSHIN STEEL	18/04/96	3½	+⅛	78.57
OKURA	30/01/98	10¼	+1¼	24.12
ROYAL HOTEL	14/03/95	2⅞	+1½	82.11
SMC	25/07/95	5	+⅛	58.65
TAKASHIMAYA	02/07/96	8½	-1⅝	31.94
TOYO SASH	05/08/97	6¾	+1⅝	73.17

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on May 14

INTERNATIONAL BONDS

Danish vote may prove watershed for Ecu sector

DENMARK'S second referendum on the Maastricht treaty is likely to prove a watershed for the Ecu bond market.

Late last week, dealers reported a spurt of buying activity ahead of the May 18 referendum, as positive sentiment grew on the chances for a Yes vote. In the run-up to the election, the level of decided Yes voters has consistently run at about 60 per cent. In addition, a wave of enthusiasm was generated by the devaluations of the peseta and the escudo on Thursday.

According to dealers, a Yes vote is now largely discounted in the market. But it seems clear that, while a Yes vote would help restore confidence in the sector, the market is not about to recover all the ground lost in the last year.

A year ago the Ecu bond market was riding high. Ecu bonds had become a component of many large international bond portfolios, and were traded as an additional European government bond market.

On the back of the so-called "convergence" theory – that European interest rates would converge on the path to European monetary union – Ecu bond yields fell rapidly.

Before the first Danish referendum on June 2 1992, actual Ecu bond yields were 60 basis points below the theoretical yield curve (calculated according to the proportionate bond yields of the Ecu's component currencies).

The only rationale for the premium level of Ecu bonds was that they were set to form the single European bond market.

In the wake of the June referendum, when that assumption was severely tested, the heavy supply of new issues was cut off overnight and liquidity disappeared. Then, pressures on the European exchange rate mechanism further crushed confidence in the sector, and by September actual yields were 50 basis points higher than the theoretical curve.

However, the market has staged something of a recovery this year, and with actual yields now about 10 basis points through the theoretical curve, dealers believe it to be more rationally based.

There are some reasons to argue that the market could rally sharply in the event of a Yes vote.

The market is flat to slightly long ahead of the referendum. Last year, the market's collapse was exacerbated because traders had very long positions ahead of the vote, either for speculative purposes or because they had substantial inventory left over from new issues. This year, retail investors and asset swappers have taken excess paper out of the market. This means that the risk of a structural collapse has been removed, according to Mr Steve Major, an analyst at Credit Lyonnais Securities.

He believes that yields could fall to 30 basis points through the theoretical yield curve on a Yes vote, or rise to 20-30 basis points above the theoretical curve on a No vote. However, he cautions that the ratification delay in the UK and constitutional questions over German ratification mean that the uncertainty is not over.

A Yes vote should help pave the way for a revival of activity in the primary market. According to IFR Securities Data, only 14 new issues have been launched in the Ecu market since the last Danish vote, though both the French and UK governments have restored their Ecu programmes.

A number of key borrowers are expected to tap the market if conditions improve.

The European Community and the European Investment Bank have both maintained their presence in the market and are expected to return.

In addition, Finland, Sweden and Spain are all said to be looking at the market. Finland launched an Ecu500m issue in February.

There are also hopes that Belgium will revive its plans to develop its own Ecu government bond programme, shelved after the market collapsed.

However, even if the market rallies, dealers believe that its status as a quasi-government bond market will not return.

Many institutional investors still have not returned to the market, and not all of them will be persuaded to change their minds by a Yes vote.

"The Ecu has returned to trading as a basket currency," said Mr Michael Burke, an economist at Citibank.

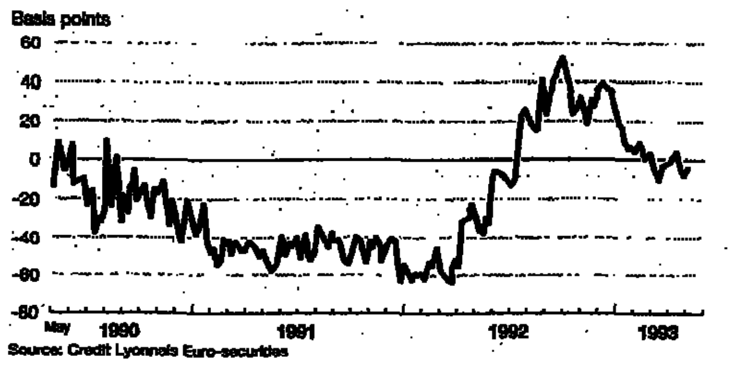
"Only the most die-hard enthusiast" can expect a return to its previous status, he added.

● The Shenzhen stock exchange plans to take a series of measures aimed at lifting overseas interest in its flagging market for B-shares, Reuter reports from Beijing. It will unify its listing and currency clearing, give seats to overseas securities dealers and reduce the time lapse between issuing and marketing of B-shares.

The exchange says it will work to ensure more information on B-share transactions.

Tracy Corrigan

10 year Ecu actual / theoretical yield curve



Source: Credit Lyonnais Euro-securities

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Bellsouth Telecommunications	500	Jun.1998	5.25	99.56R	5.347	+25%(5⅝%-98)	Morgan Stanley Intl.
Republic of Venezuela#	150	May.1996	9	100R	9.0	-	Bankers Tst.Intl./ CSFB
Republic of Italy	500	Jun.1998	5.625	99.52R	5.737	-	Morgan Stanley
Bank America‡(e)	300	May.1998	(e)	100R	-	-	Kidder Peabody
Best Denki¢(f)	160	May.1997	1.375	100	-	-	Daiwa Europe
Banco Excel	50	Nov.1995	10.5	98.404R	11.25	+725%(b)	Banque Indosuez
Kingdom of Sweden‡(g)	1.5bn	Jun.1998	(g)	99.70R	-	-	Merrill Lynch Intl./UBS
Gen. Electric Cap. Corp.	200	Jun.1996	4.375	99.733R	4.472	+16%(4¼%-96)	Merrill Lynch Intl.
Shearson Lehman Brothers‡(h)	150	Jun.2003	(h)	99.875	-	-	Lehman Brothers
Deutsch-Suedamerikanische#	50	Dec.1995	8	99.75R	8.111	+408%(b)	Dresdner Bk.
First International Funding‡(m)	100	Jun.1996	(m)	100R	-	-	Salomon Brothers
First International Funding‡(l)	300	Jun.1998	(l)	100R	-	-	Salomon Brothers
First International Funding‡(k)	100	Jun.2000	(k)	100R	-	-	Salomon Brothers
YEN							
International Finance Corp.	40bn	Jun.1998	4.375	99.76R	4.429	-	Nikko Europe
Canon Inc.	20bn	Aug.1997	4.65	100.195	4.593	+63%(4.7%-99)	Fuji Intl. Fin.
Sumitomo Realty & Dev.	20bn	May.1998	4.95	100.20R	4.902	-	Daiwa Europe
Sumitomo Realty & Dev.	20bn	Jul.1997	4.70	100R	4.694	-	Nomura Intl
D-MARKS							
Nichii Co.¢(d)	400	May.1997	2.75	100	-	-	Deutsche Bk./Nomura Bk.
LKB Finance	300	Jun.1998	6.25	101.65	5.884	-	Bayer. LandesBk./SBG
The Euro. Coal & Steel Corp.	135	Jun.1998	6.125	101.07	5.875	-	Trinkaus & Burkhardt
FRENCH FRANCS							
European Investment Bk.(a)	2bn	May.1998	6¾	99.54R	6.859	+10%(11%-98)	CCF
Pechiney Inter.(c)	1bn	Jun.2000	7.75	99.58R	7.83	+85%(8½-00)	Credit Lyonnais
Ile de France	800	Jun.2001	7.25	99.646R	7.310	+31%(9½%-01)	BNP
STERLING							
McDonald's Corporation	100	Jun.2003	8.50	98.867R	8.674	+40%(8%-03)	Barclay's de Zoete Wedd
Land Securities§#(j)	150	Sep.2008	7	100R	-	-	J.Henry Schroder Wagg
CANADIAN DOLLARS							
Bell Canada	200	Jun.2003	8.5	100.25R	8.462	+76%(7¼%-03)	Wood Gundy
Swedish Export Credit	100	Dec.1996	7	99.05R	6.923	+50.2(6½%-96)	Hambros Bank
Council of Europe	100	Feb.2001	7.75	99.20R	7.881	+38%(b)	Daiwa Europe
ITALIAN LIRA							
Exportfinans	150bn	Jun.1998	10.625	101.875	10.129	-	San Paolo, Turin
Bayerische Vereinsbank	200bn	Jun.2003	10.80	102.0	10.468	-	IMI Lux.
AUSTRIAN SCHILLINGS							
Republic Of Finland	2bn	May.1998	6⅞	99.325R	7.040	-	Creditanstalt Bankverein
AUSTRALIAN DOLLARS							
Australian Broadcast. Corp	100	Jun.1998	6.75	101.275	6.444	+10.5(b)	Hambros Bank
St. Bank of New South Wales	250	Jun.1999	7.0	100.625	6.869	+19%(12%-99)	Deutsche Bank
NEW ZEALAND DOLLARS							
Telecom Corp. of New Zealand	100	Jul.2003	7.50	100.75	7.391	+30%(b)	Hambros Bank
SWISS FRANCS							
Nichii Co.¢*	300	May.1997	1.125	100	-	-	UBS
Asfinag*	300	Jun.1998	4.5	101.5	4.165	-	UBS
GUILDERS							
Rabobank Nederland(j)	600	Jun.2003	6.75	99.50R	6.810	+20%(6½-03)	Rabobank Nederland

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ¢With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Fungible with existing 2bnFFr tranche. 30 days accrued interest from payment date. b) Spread is over the interpolated yield curve. c) Fixed price reoffer is 99.58 until issue is free to trade. d) Exercise period 14/6/93-20/5/97. Denom. : Dm5000 + 5 warrants. e) Callable May 1996, and each coupon date thereafter. Coupon pays 35bp above 3 month Libor. f) Exercise period 10/6/93 - 14/5/1997. Long first coupon. Denom: $5000 + 1. g) Coupon pays flat 3 month Libor. Callable after 3 years. h) Coupon pays 6 month Libor flat; Minimum 5¼%, Maximum 9½%. i) Increased from £140m. Conv. period 9/8/93-23/8/08 at £8.4/ share. Callable from 11/10/98 at par. Short first coupon. Joint lead with Cazenove & Co / S.G Warburg. j) Increased from 300m. k) Callable 6/1996 at par and coupon dates thereafter. Coupon pays 0.70% above 6 month Libor. l) Coupon pays 0.55% above 6 month Libor m) Coupon pays 0.45% above 6 month Libor. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Employers question the pooled approach to pension provision

IS THE UK government sufficiently imaginative in devising debt securities that investors really want? For an increasing portion of the pensions industry, the answer is no.

Pension fund investment is aimed at meeting specific requirements far off into the future. Ideally, investments should grow in line with average earnings during an individual's lifetime and thereafter, broadly in line with inflation. Sadly, investment professionals note, there is nothing to provide the former, and the vehicle which provides the latter, in the form of index-linked gilts, still has many shortcomings.

Individual ownership of one's pension appears to be the ideological underpinning of government policy.

The old-fashioned pooled approach to pension provision, which guaranteed a percentage of final salary upon retirement, is increasingly being questioned by employers who say it is too costly. Moreover, the government is taking the line that such pools are open to abuse by employers and receive too-generous tax breaks.

Thus, the UK appears headed in the direction of personal pensions and so-called money purchase pensions at the expense of final salary schemes. But even the most ardent supporters of these schemes will concede their greatest shortcoming: volatility. These vehicles simply do not provide the certainty of benefit which final salary schemes guarantee. The pooled approach of defined benefit schemes allows investment managers to spread risks and rewards over many people and across several generations.

Money purchase and personal pensions simply build up at a rate roughly in line with stock markets. "Consider two people whose retirement is separated by Black Monday of 1987," said Mr Ron Spill, director of pensions at Legal and General. "The difference in the value of their pensions is 20 per cent."

Moreover, because of the volatility in gilt yields, the monthly benefits which can be purchased for the same lump-sum annuity vary sharply even over relatively short periods. Mr Spill says that in January 1992, £1,000 would have purchased a benefit of £129 a month for a 65-year old. But by January of this year, the same £1,000 would only have bought £118 a month.

Increasingly, the issue for life insurance companies which offer such products is how to devise an investment structure which limits volatility. Moreover, the Labour party has suggested it would like to require those who offer personal pensions to guarantee a minimum level of retirement benefit, regardless of investment performance. How can investment managers build in such a guarantee?

Mr Stewart Ritchie, pensions director at Scottish Equitable, argues that perhaps the problem is that the appropriate investment vehicles have not yet been designed for such schemes. "The basic problem is the structure of the cash flow," says Mr Ritchie. He says that perhaps the UK government needs to consider a new type of gilt. The sort he has in mind would effectively be a deep discount zero-coupon security purchased with a lump sum at say, a 40th birthday. This would accrue, say, at a spread above retail prices, up until the individual's 65th birthday. Only then would it begin paying cash, and at a rate roughly equal to RPI.

The Institute for Policy Studies, the left-of-centre think-tank, in a paper to be issued later this week, will urge the government to consider a new type of investment security whose capital value would be linked to an index of national average earnings.

Barring the advent of imaginative government bonds, investment managers try to limit the volatility in the value of a personal pension in the years immediately prior to retirement by gradually shifting out of higher-yielding equities and into fixed interest and cash. But Gartmore has tailored a product which begins making the switch some time before then. Its Lifeplan product invests 90 per cent of an individual's cash in equities up until the 40th birthday. Then over the next 25 years, moves progressively out of them and into fixed interest, with the switching process accelerating between the ages of 60 and 65.

Norma Cohen

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close May 14

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
1204	Celanese	$46⅜	46	46	
88	CntCpital	30	30	30	
96076	Cnepx Odn	310	285	300	+20
9750	Cntrl Fd A	$6⅝	6⅜	6½	
24496	Cominco	$15¾	15½	15½	-¼
47337	Coputalog	300	292	295	
31824	Corel Sys	$19¼	18½	18¾	-½
33000	CoscanDev	153	145	153	+3
109100	CrownX A	u385	365	370	-10
85808	Labatt	$23¾	d23½	23½	-¼
896503	Lac Minls	$11⅞	11⅝	11¾	-⅛
40	Lafarge	$20¼	20¼	20¼	-⅝
7550	Laidlaw A	$10⅝	10⅜	10⅝	+⅛
277454	Laidlaw B	$10¾	10⅜	10⅝	+⅛
5600	Laurent Bk	$17¾	17¾	17¾	
2500	Laurent Gp	480	480	480	+5
6086	Lawson Mar	u$10	9⅞	9⅞	
37800	Loblaw	$23⅝	23½	23½	-⅛

MONTREAL

4 pm close May 14

INDICES

NEW YORK

DOW JONES	May 14	May 13	May 12	May 11	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3443.01	3447.99	3482.51	3468.75	3482.31 (12/5)	3241.95 (20/1)	3482.31 (12/5/93)	41.22 (2/7/32)
Home Bonds	107.35	107.37	107.55	107.52	107.87 (7/5)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1583.57	1582.78	1589.41	1570.49	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	234.41	235.60	238.98	239.56	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High (s) (3465.74) Low (a) (3428.6a) (Theoretical) Day's High 3456.57 (3481.76) Low 3437.19 (3447.71) (Actual)

STANDARD AND POOR'S

	May 14	May 13	May 12	May 11	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	439.55	439.23	444.80	444.58	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	507.60	505.94	511.26	510.32	524.99 (10/3)	498.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	41.83	42.43	43.39	43.52	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	243.34	243.27♠	246.06	245.68	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	427.46	427.91	428.45	427.25	428.43 (12/5)	395.84 (8/1)	428.43 (12/5/93)	29.31 (9/12/72)
NASDAQ Composite	676.37	675.84	681.69	683.06	708.85	645.87	708.85	54.87

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

Saturday May 8: Taiwan Weighted Price: 4,678.14, Korea Comp Ex. 703.18.
♥ Subject to official recalculation.

TOKYO - Most Active Stocks

Friday, May 14, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Hvy Ind	28.7m	1,130	+20	Shionogi	9.1m	1,100	+30
Fujitsu	17.7m	805	+30	NEC Corp	6.1m	1,040	
Mitsui Mn & Sm	14.6m	553	-2	M'bishi Materials	5.8m	527	+16
Nippon Zeon	11.5m	680	+11	Nippon Steel	5.2m	400	-7
Isuzu Motor	9.8m	523	+16	Mitsubishi Cable	5.1m	824	+21

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FINANCIAL TIMES

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

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Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
S & W American ‡	5	262.2	262.2	275.2	0.71	[illegible]
S & W Capital	5	116.1	116.1	124.4	1.80	[illegible]
S & W Cash ‡	0	100.69	100.69	100.69	5.25	[illegible]
S & W European	5	112.0	112.0	118.5	1.31	[illegible]
S & W Far Eastern	5	145.3	146.8	155.3	0.00	[illegible]
S & W Growth	5	124.2	125.9	133.2	1.31	[illegible]
S & W Income	5	111.4	112.7	119.2	4.54	[illegible]
S & W Magnum	5	122.7	122.7	131.7	1.74	[illegible]
S & W Smllr Secs	5	310.3	316.9xd	335.3	0.55	[illegible]
S & W Thoroughbred	5	141.8	141.8xd	152.2	1.86	[illegible]

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Bid Price	Offer Price		Yield Gr's	City-Line
Cash	1	49.63	49.84xd	50.14	6.5	[illegible]
Crwtd Prfrence	5½	55.38	56.91	59.63	7.9	[illegible]
Ethical	5½	52.48	53.44	56.85	3.9	[illegible]
European Growth	5½	55.88	58.24	59.98	3.0	[illegible]
Income	5½	51.37	51.84xd	55.29	6.7	[illegible]
Intl Growth	5½	77.61	78.17xd	83.38	2.8	[illegible]
Managed	5½	69.06	69.81	74.46	3.5	[illegible]
UK Growth	5½	55.61	56.22	59.96	4.6	[illegible]

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Managed Acc	5¼	43.19	43.19	45.89	1.73	[illegible]
UK Equity Gth Acc	5¼	56.91	57.90	61.52	1.56	[illegible]
UK Eq High Inc Inc	5¼	34.42	34.42xd	36.58	3.79	[illegible]
UK Eq High Inc Acc	5¼	40.87	40.87	43.43	3.79	[illegible]
UK Equity Gen Acc	5¼	53.25	54.21	57.60	2.20	[illegible]
UK Equity Gen Inc	5¼	40.27	41.00xd	43.57	2.20	[illegible]
UK Larger Cos Acc	F 7½	382.3	387.1	399.4	3.84	[illegible]
UK Larger Cos Inc	F 7½	278.2	282.0xd	306.0	3.84	[illegible]
Gilt & Fxd Int Inc	5¼	29.61	29.58xd	31.29	6.79	[illegible]
O'seas Larg Cos Acc	F 7½	265.4	270.1	293.1	1.50	[illegible]
Nth American Acc	5¼	41.09	41.35	43.94	0.81	[illegible]
Far East Acc	5¼	54.58	54.58	58.00	0.21	[illegible]
European Acc	5¼	40.28	40.28	42.80	1.15	[illegible]

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9DJ 071-626 1599

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Global A	5¼	[illegible]	3.601	3.825	1.20	-
US Equities (d)	5¼	$2.098	2.087	2.216	0.79	-
Far East Equities (d)	5¼	Y247.7	249.9	264.4	-	-
Japan Equities (d)	5¼	Y249.9	249.1	264.6	-	-

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Am Exempt	£603.22	612.11	1.04	40456
Gen Exempt	£151.38	154.58	3.40	40457
Jap Exempt	£591.22	601.88	0.82	40458
Pacific Exempt	£151.46	158.18	1.81	46888
Cont Euro Exempt	£117.62	119.98	2.40	47874

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Balanced Acc May 4	182.3	189.6	3.53	43441
Balanced Inc May 4	181.0	188.1	3.53	43443
Latin American Acc May 5	100.5	101.9	1.72	43444

Funds in Court*

	Bid Price	Offer Price	Yield Gross	City-Line
Capital May 14	549.78	554.90	3.72	40505
Gross May 14	208.85	210.63xd	9.97	40506
High Yield May 14	332.48	335.10	7.76	40507

*Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Managed Exempt	106.47	110.88	3.33	43446

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Pensions Mngd	60.83	62.1xd	2.88	40678
Henderson TR				
Ex European May 13	1297	1307	2.66	47801
Ex Nth Amer May 13	1378	1398	1.55	47802
Ex Pac Basin May 13	940	958	1.43	47803
Ex Smllr Cos Inc May 13	1875	1987	4.31	43737
Ex Smllr Cos Acc May 13	2011	2130	4.31	43752

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-Line
Intl Mngd PFdlo(11000-1)	£1.4750	1.5880	-	40064
Mngd Pens (Acc)	£0.8555	0.9151	-	41007
UK Core	£1.0120	1.0300	-	43452

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Property May 4	£1900.0	2100.0	7.00	40777
Inc Gth Prp Feb 3	£1200.0	1400.0	8.90	40776

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-Line
Small Co's May 12	£6047.6	6142.8	2.75	40766
European May 12	£682.0	688.5	1.71	40770
American May 12	£426.8	429.6	1.39	40773
Japan May 12	£565.8	571.7	0.83	40774
Pacific May 12	£188.0	192.0	0.91	40775

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

Providence Capitol Life Assc. Co Ltd - Contd.

Alpha Pension Funds

	Bid Price	Offer Price	Yield Gross	City-Line
UK Alpha	227.9		-	47229
US Alpha	118.7		-	47230
Gilt Alpha	84.8		-	47231
Gold Alpha	89.3		-	47232
Japan Alpha	44.7		-	47233
US Dollar Alpha	73.9		-	47234
Yen Alpha	77.9		-	47235
DM Alpha	90.0		-	47236
European Alpha	85.3		-	47237

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

	Bid Price	Offer Price	Yield Gross	City-Line
Managed	397.7	418.7	-	43861
Equity	489.4	525.7	-	43866
Property	239.4	252.0	-	43858
International	385.3	408.8	-	43857
Japanese	112.3	118.3	-	48287
Asia Pacific	135.6	142.8	-	48254
European	106.6	112.3	-	48255
American	136.2	143.4	-	48253
Fixed Interest	329.9	347.3	-	43856
Index-Linked Gilt	182.1	191.7	-	43860
Cash	218.3	230.9	-	43858

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	Yield Gross	City-Line
Gold Range (Pensions)				
Discretionary Fund	156.5		-	48412

Provident Mutual Life Assc. Assn.

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Victory Hse, Prospect Hill, Douglas, IoM 0624 677877

Royal Skandia Life Assurance Ltd - Contd.

Butterfield Fund Mngrs (Guernsey) Ltd

PO Box 211, St Peter Port, Guernsey 0481 720321

Lazard Fund Managers (CI) Ltd

J. Rothschild International Assce plc - Contd.

Sanwa International (Ireland) Plc

Sun Alliance Group - Contd.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

[illegible]

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Standard Bank Fund Mgmt (Jersey) Ltd
PO Box 583, St Helier, Jersey CI 0534 67557

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Intl. Bond (Daily)	5¼	$-	15.75	16.68	4.81	4478
Sterling Bond (Daily)	5¼	£-	9.767	10.13	7.70	4478
Sterling Cap (Daily)		£-	42.31	42.33	5.73	4407

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 73494
TSB Offshore Investment Fund Ltd

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Stg Deposit Class	3	101.85	101.85	104.91	6.00	4487
Gilt & Fixed Interest	3	115.94	116.84	120.20	7.70	4485
Blue Chip & Gilt Edged	5	59.38	59.38	62.50	3.88	4508
International Bond	5	133.18	133.18	140.85	5.08	4507
UK Equity	5	247.00	254.13	267.51	1.28	4377
International Equity	5	171.78	174.30	183.47	0.38	4380
Far Eastern	5	159.32	163.04	171.62	0.00	4381
European	5	120.56	121.44	127.84	0.03	4385
Pan American	5	318.74	321.91	338.86	0.00	4378

TSB Gilt Fund Ltd

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Quarterly Share	3	104.86	104.86	108.28	7.76	4533
Monthly Share	3	103.48	103.48	106.86	7.86	4534

JERSEY (REGULATED)(**)

Barclays Intl Funds

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404344
Equity Funds

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
European Equity $	5¼	£-	0.904	0.962	0.1	4474
Intl Equity $	5¼	£-	1.403	1.482	0.5	4476
North Am Eqty $	5¼	$-	33.63	35.78	0.3	4479
Pacific Eq $	4¼	£-	6.288	6.663	0.5	4452
UK Equity $	5¼	£-	1.088	1.180	2.6	4478
Bond Fund						
International Bond $	3½	$-	98.32	102.80	5.5	4477

CMI Asset Management (Luxembourg) SA
203 route d'Arlon, L-1150 Lux 010 352 458825
CMI Managed Portfolio Investment Company (u)

		Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Safeguard Portfolio	F.	£-	1.234	1.314	-	4797
Growth Portfolio	F.	£-	1.105	1.177	-	4798
Enterprise Portfolio	F.	£-	1.057	1.128	-	4799

CMI Global Network Fund (u)

		Bid Price	Yield Gr's	City-Line
Australasian Equity	A$-	12.989	-	4722
Benelux Equity	Dfl-	21.174	-	4723
Canadian Equity	C$-	8.882	-	4724
SE Asia Equity	$-	13.314	0.05	4725
French Equity	FFr-	88.541	0.94	4726
German Equity	DM-	17.923	-	4727
Iberian Equity	Pta-	744	0.01	4728
Irish Equity	I£-	4.334	-	
Italian Equity	L-	7736	-	4729
Japanese Equity	Y-	1388	-	4731
Nordic Equity	SKr-	45.045	-	4730

Jupiter Tyndall Global Fund
13 rue Goethe L-1637 Luxembourg 010 352 404661

		Bid Price	Offer Price	Yield Gr's	City-Line
China Portfolio	£-	1.55	1.64	-	-
China Portfolio	$-	2.39	2.52	-	-
Tiger Portfolio	£-	2.29	2.42	-	4603
Tiger Portfolio	$-	3.52	3.70	-	4646
European Portfolio	£-	1.28	1.33	-	4602
European Portfolio	$-	1.93	2.04	-	4638
Wall Street Portfolio	£-	1.74	1.84	-	4717
Wall Street Portfolio	$-	2.67	2.81	-	4648
British Lion P'folio	£-	1.30	1.37	1.14	4652
British Lion P'folio	$-	1.98	2.09	-	4632
International P'folio	£-	1.67	1.76	-	4258
International P'folio	$-	2.56	2.70	-	4636
Japan Portfolio	£-	1.33	1.41	-	4371
Japan Portfolio	$-	2.04	2.15	-	4634
High Yield P'folio	£-	1.16	1.23	6.85	4313
High Yield P'folio	$-	1.78	1.88	-	4650
Korea Vision Portfolio	£-	1.33	1.40	-	-
Korea Vision Portfolio	$-	2.04	2.15	-	-
Taiwan Portfolio	£-	1.28	1.36	-	-
Taiwan Portfolio	$-	1.97	2.07	-	-

Kleinwort Benson Japanese Warrant Fund
14 rue Aldringen Luxembourg 010 352 4799-1
NAV $- 8.206 | - | 4620

Kleinwort Benson Select Fund (u)
14 Rue Aldringen L-1118 Luxembourg 010 352 47991

Capel-Cure Myers Intnl Fd Sicav (u)

	Bid Price	Offer Price	Yield Gross	City-Line
Sterling Bond	£10.91	11.25	-	45144
Sterling Growth	£13.14	13.88	-	45146
US Dollar Bond	$10.67	11.22	-	45147
US Dollar Growth	$11.34	11.89	-	45149

Citicorp Investment Mgmt (Luxembourg) SA
Super Asia Infrastructure | $12.97 | - | 47365

North Currency Fund

	Bid Price	Offer Price	Yield Gross	City-Line
NCF USD	$906.47		-	46739
NCF DEM	DM569.04		-	46740
NCF CHF	SFr1013.16		-	46741
NCF FRF	FFr4814.93		-	46742
NCF JPY	Y93943.00		-	46745
NCF BEF	BFr29074.00		-	46747

Pacific Basin Growth Fund

Connaught Investments Ltd (Hong Kong)

Indosuez Asia Invest Services Ltd

Pequot International Fund Inc
NAV May 10 | $169.21 | - | -

Philippine Income Fund Inc
NAV May 12 | $10.83 | - | -

For Pierson Heldring & Pierson see MeesPierson

Portuguese Investment Fund Ltd
NAV May 13 | $57.8153 | - | 44844

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on the Danes

TOMORROW'S Danish referendum on the Maastricht treaty will be the principal focus in foreign exchange and money markets this week, *writes James Blitz.*

In recent days, it has looked increasingly likely that Denmark will vote Yes to the treaty.

A Gallup opinion poll which was published on Friday in a leading Danish daily newspaper showed that support for the Yes camp had widened to 50 per cent with 32 per cent of people opposed.

UK clearing bank base lending rate 6 per cent from January 26, 1993

This compared to a 49-33 per cent lead published in a Gallup survey the previous day.

There are even suggestions that a No vote would not immediately threaten the Danish krone's position in the European exchange rate mechanism's grid.

Mr Mads Jacobsen, a vice director at Den Danske Bank, said on Friday that the important factors in Denmark were the country's strong macro-economic fundamentals, the Danish loyalty to the ERM and the fact that implementation of European Monetary Union has become rather hypothetical.

However, there are grounds for thinking that, even if the ERM is unaffected by this week's strains, tensions could return at the end of the year if France's fundamental economic performance has not improved.

France is unlikely to cut its short-term rates at a more aggressive pace than Germany, because this would put the franc under pressure in the ERM.

However, French inflation is lower than Germany's. France's real interest rates are likely to remain comparatively high by the end of the year. Sterling's short-term future should be strongly influenced by a host of economic data this week, of which the most important are probably the April unemployment figures due out on Thursday.

£ IN NEW YORK

May 14	Close	Previous Close
£ Spot	1.5385-1.5395	1.5215 1.5225
1 month	0.38-0.37pm	0.38 0.37pm
3 months	1.08-1.06pm	1.08 1.07pm
12 months	3.78-3.70pm	3.87 3.67pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 14	Previous
8.30 am	79.7	79.9
9.00 am	79.7	79.7
10.00 am	79.7	79.9
11.00 am	79.9	79.8
Noon	79.8	79.9
1.00 pm	79.7	79.9
2.00 pm	79.8	79.9
3.00 pm	79.8	79.7
4.00 pm	80.0	79.7

CURRENCY MOVEMENTS

May 14	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	80.0	-30.15
U.S Dollar	64.3	-13.50
Canadian Dollar	94.0	-7.82
Austrian Schilling	114.3	+16.13
Belgian Franc	115.5	+1.52
Danish Krone	117.6	+11.27
D-Mark	124.4	+31.14
Swiss Franc	111.2	+19.73
Dutch Guilder	119.3	+20.90
French Franc	109.8	-6.80
Lira	82.5	-33.09
Yen	169.9	+109.20
Peseta	92.2	-27.77

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for May 13

OTHER CURRENCIES

May 14	£	$
Argentina	1.5315 - 1.5345	0.9980 - 0.9990
Australia	2.1705 - 2.1725	1.4235 - 1.4245
Brazil	55871.7 - 55872.3	36446.0 - 36446.4
Finland	8.4930 - 8.5445	5.5525 - 5.5725
Greece	331.100 - 337.750	216.450 - 220.850
Hong Kong	11.8460 - 11.8585	7.7285 - 7.7295
Iran	2591.00 - 2593.00	1642.00 - 1644.00
Korea(Sth)	1209.30 - 1228.80	797.10 - 803.50
Kuwait	0.46150 - 0.46250	0.30100 - 0.30150
Luxembourg	50.70 - 50.80	32.95 - 33.05
Malaysia	3.9335 - 3.9435	2.5875 - 2.5885
Mexico	4.8000 - 4.8030	3.1280 - 3.1300
N.Zealand	2.8250 - 2.8290	1.8410 - 1.8435
Saudi Ar	5.7440 - 5.7555	3.7495 - 3.7505
Singapore	2.4750 - 2.4815	1.6155 - 1.6165
S.Af (Cm)	4.8705 - 4.8815	3.1785 - 3.1805
S.Af (Fn)	7.1815 - 7.1970	4.6800 - 4.6900
Taiwan	39.65 - 39.80	25.85 - 25.95
U.A.E.	5.6265 - 5.6395	3.6715 - 3.6735

CURRENCY RATES

May 14	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.921430	0.791798
U.S Dollar	3.00	1.40688	1.21145
Canadian $	6.39	1.79280	1.53975
Austrian Sch	6.75	N/A	13.7148
Belgian Franc	6.75	46.6903	40.1020
Danish Krone	9.25	8.75830	7.50976
D-Mark	7.25	2.27295	1.94983
Dutch Guilder	6.75	2.55176	2.18763
French Franc	10	7.67135	6.58240
Italian Lira	11.00	2103.27	1796.10
Japanese Yen	2.50	157.161	135.076
Norway Krone	-	9.61531	8.27903
Spanish Peseta	-	N/A	148.795
Swedish Krona	11.50	10.4229	8.93322
Swiss Franc	5.00	2.05415	1.76205
Greek Drach	19	N/A	265.174
Irish Punt	-	N/A	0.801912

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for May 13

POUND SPOT - FORWARD AGAINST THE POUND

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5255 - 1.5405	1.5380 - 1.5390	0.39-0.37cpm	2.96	1.09-1.06pm	2.79
Canada	1.9370 - 1.9625	1.9585 - 1.9595	0.26-0.17cpm	1.32	0.49-0.38pm	0.89
Netherlands	2.7570 - 2.7700	2.7600 - 2.7700	¼-¾cdis	-1.36	⅝-⅞dis	-1.09
Belgium	50.55 - 50.80	50.70 - 50.80	4-8cdis	-1.42	12-17dis	-1.14
Denmark	9.4690 - 9.5210	9.4950 - 9.5050	3¼-5oredis	-5.13	6-8⅞dis	-3.13
Ireland	1.0120 - 1.0175	1.0135 - 1.0145	0.14-0.17cdis	-1.83	0.40-0.46dis	-1.70
Germany	2.4575 - 2.4710	2.4625 - 2.4675	¼-½pfdis	-1.83	¾-1dis	-1.42
Portugal	234.85 - 240.15	237.50 - 238.50	193-242cdis	-10.97	548-645dis	-10.03
Spain	187.35 - 188.35	187.40 - 187.70	83-130cdis	-6.81	247-328dis	-6.13
Italy	2262.75 - 2278.10	2262.75 - 2263.75	8-10lirdis	-4.77	26-29dis	-4.86
Norway	10.4270 - 10.4960	10.4825 - 10.4925	⅞-2⅞oredis	-2.15	3-5¼dis	-1.55
France	8.2695 - 8.3375	8.3100 - 8.3200	1¼-1⅝cdis	-2.07	3¼-3¾dis	-1.65
Sweden	11.2350 - 11.3100	11.2900 - 11.3000	2⅞-3½oredis	-3.18	7⅛-8¼dis	-2.74
Japan	170.00 - 171.10	170.00 - 171.00	½-¼ypm	3.08	1¼-1⅛pm	2.79
Austria	17.29 - 17.38	17.31 - 17.34	1½-2½grodis	-1.39	3⅞-5⅝dis	-1.07
Switzerland	2.2210 - 2.2375	2.2275 - 2.2375	¼-parcpm	0.67	⅝-½pm	0.90
Ecu	1.2610 - 1.2685	1.2625 - 1.2635	0.19-0.23cdis	-2.00	0.52-0.58dis	-1.76

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.11-2.06pm. 12 Month 3.80-3.70pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5255 - 1.5405	1.5380 - 1.5390	0.39-0.37cpm	2.96	1.09-1.06pm	2.79
Ireland†	1.5050 - 1.5190	1.5170 - 1.5180	0.62-0.59cpm	4.78	1.73-1.68pm	4.49
Canada	1.2700 - 1.2750	1.2740 - 1.2750	0.18-0.19cdis	-1.65	0.59-0.63dis	-1.91
Netherlands	1.7965 - 1.8095	1.7965 - 1.7975	0.63-0.66cdis	-4.31	1.73-1.79dis	-3.92
Belgium	32.95 - 33.10	32.95 - 33.05	11.50-12.50cdis	-4.36	31.00-35.00dis	-4.00
Denmark	6.1725 - 6.2360	6.1725 - 6.1775	3.50-5.00oredis	-8.26	8.40-10.04dis	-5.97
Germany	1.6000 - 1.6140	1.6015 - 1.6025	0.62-0.63pfdis	-4.68	1.68-1.70dis	-4.22
Portugal	153.75 - 155.35	153.75 - 153.85	152-167cdis	-12.44	420-470dis	-11.57
Spain	121.75 - 123.06	122.05 - 122.15	95-112cdis	-10.17	280-300dis	-9.50
Italy	1470.75 - 1489.25	1470.75 - 1471.25	9.30-9.90lirdis	-7.83	27.80-28.60dis	-7.64
Norway	6.8150 - 6.8580	6.8150 - 6.8200	2.80-3.40oredis	-5.46	7.15-8.00dis	-4.44
France	5.4025 - 5.4500	5.4025 - 5.4075	2.24-2.34cdis	-5.08	5.95-6.15dis	-4.48
Sweden	7.3390 - 7.4015	7.3400 - 7.3450	3.40-4.10oredis	-6.13	9.80-10.70dis	-5.58
Japan	110.80 - 111.90	110.85 - 110.95	par-0.01ydis	-0.05	par-0.01dis	-0.02
Austria	11.2830 - 11.3500	11.3200 - 11.3250	3.90-4.20grodis	-4.29	10.65-11.45dis	-3.90
Switzerland	1.4485 - 1.4600	1.4500 - 1.4510	0.24-0.27cdis	-2.11	0.68-0.73dis	-1.94
Ecu†	1.2085 - 1.2190	1.2180 - 1.2190	0.52-0.51cpm	5.07	1.40-1.38pm	4.56

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

May 14	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.539	2.465	170.5	8.315	2.233	2.765	2263.	1.959	50.75	187.6	1.263
$	0.650	1	1.602	110.8	5.403	1.451	1.797	1470	1.273	32.98	121.9	0.821
DM	0.406	0.624	1	69.17	3.373	0.906	1.122	918.1	0.795	20.59	76.11	0.512
YEN	5.865	9.026	14.46	1000.	48.77	13.10	16.22	13273	11.49	297.7	1100	7.408
F Fr.	1.203	1.851	2.965	205.1	10.	2.686	3.325	2722	2.356	61.03	225.6	1.519
S Fr.	0.448	0.689	1.104	76.35	3.724	1	1.238	1013	0.877	22.73	84.01	0.566
N Fl.	0.362	0.557	0.892	61.66	3.007	0.808	1	818.4	0.708	18.35	67.85	0.457
Lira	0.442	0.680	1.089	75.34	3.674	0.987	1.222	1000	0.866	22.43	82.90	0.558
C $	0.510	0.786	1.258	87.03	4.245	1.140	1.411	1155	1	25.91	95.76	0.645
B Fr.	1.970	3.033	4.857	336.0	16.38	4.400	5.448	4459	3.860	100.	369.7	2.489
Pta	0.533	0.820	1.314	90.88	4.432	1.190	1.474	1206	1.044	27.05	100.	0.673
Ecu	0.792	1.219	1.952	135.0	6.584	1.768	2.189	1792	1.551	40.18	148.5	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

May 14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7 - 6¾	6½ - 6¼	6⅛ - 6	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛
US Dollar	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½
Can. Dollar	4⅜ - 4⅛	4⅝ - 4⅜	4¾ - 4½	5⅛ - 4⅞	5⅝ - 5⅜	6¼ - 6
Dutch Guilder	7⅛ - 7⅛	7⅜ - 7¼	7¼ - 7⅛	7 - 6⅞	6⅞ - 6⅞	6⅜ - 6¼
Swiss Franc	5¼ - 5	5⅛ - 5	5⅛ - 5⅛	5⅛ - 4⅞	4⅝ - 4⅜	4⅝ - 4½

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

Bank of Scotland 6
Barclays Bank 6
Brit Bk of Mid East 6
●Brown Shipley 6
CL Bank Nederland 6
Citibank NA 6
City Merchants Bank 6
Clydesdale Bank 6
The Co-operative Bank 6
Coutts & Co 6
Credit Lyonnais 6
Heritable & Gen Inv Bk. 6
●Hill Samuel 6
C. Hoare & Co 6
Hongkong & Shanghai. 6
Julian Hodge Bank 6
●Leopold Joseph & Sons 6
Lloyds Bank 6
Meghraj Bank Ltd 6
McDonnell Douglas Bk. 6
Midland Bank 6
Mount Banking 6
Unity Trust Bank Plc 6
Western Trust 6
Whiteaway Laidlaw 6
Wimbledon & Sth West. 7
Yorkshire Bank 6

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	May 14	May 13	May 12	May 11	May 10	May 7	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2847.0	2849.3	2860.8	2838.1	2829.8	2793.7	2957.3	2737.6	2957.3	986.9
FT-SE Mid 250	3142.3	3151.9	3145.0	3131.3	3125.6	3109.5	3154.7	2878.3	3154.7	1379.4
FT-SE-A 350	1416.8	1418.6	1422.4	1411.4	1408.4	1392.9	1457.1	1348.7	1457.1	664.5
FT-A All-Share	1402.58	1404.29	1407.78	1397.44	1394.42	1379.45	1438.22	1098.13	1438.22	61.92
FT-SE Eurotrack 100	1148.21	1155.16	1148.06	1140.44	1142.74	1142.41	1167.52	1063.02	1200.27	900.45
FT-SE Eurotrack 200	1212.97	1219.59	1215.04	1206.03	1203.54	1200.34	1234.50	1144.79	1248.79	938.62
FT Ordinary	2218.4	2215.5	2231.1	2215.2	2217.8	2189.4	2299.5	2124.7	2299.5	49.4
FT Government Secs.	94.71	94.85	94.92	94.84	94.86	94.79	98.04	93.28	127.40	49.18
FT Fixed Interest	110.92	110.99	110.98	111.02	110.95	110.91	113.83	108.87	113.83	50.53
FT Gold Mines	165.1	161.5	150.1	150.7	153.8	151.0	185.1	80.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Continued on next page

CHICAGO

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		17¼xd	-1.4	68c	FeMyAuNv	13.4	1503
Allegheny & W	♥	504p	2.0	38c	-	-	-
Amdahl		342p	10.9	5c	NvFeJaAu	31.1	-
Amer Cyanamid		33⅞	-.7	$1.65	MrJeSeDe	4.3	-
Amer Express		18xd	0.2	$1.00	FeMyAuNv	30.3	1594
Amer T & T		35½xd	-1.4	$1.32	FeMyAuNv	28.12	1597
Ameritech		47¼	-.5	$3.88	FeMyAuNv	28.3	-
BankAmerica		28⅞xd	0.6	$1.40	MrJeSeDe	18.2	1744
Bankers NY		46¼xd	3.5	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		34	2.6	$2.68	FeMyAuNv	4.7	-
BellSouth		33⅛	1.1	$2.76	FeMyAuNv	5.4	-
Bethlehem Steel	♥	13¼xd	8.6	-	MrJeSeDe	6.2	1821
Bowater		1432pxd	5.1	80c	OcJaApJy	8.3	1884
CPC		28¼xd	1.6	$1.28	JaApJyOc	20.3	2263
Cadiz Land Inc	♥	77½p	22.0	-	†	-	-
California Engy		1368p	-	-	-	-	-
Chase Manhattan		19¼xd	2.8	$1.20	FeMyAuNv	27.4	2109
Chrysler		27⅝xd	3.8	60c	ApJyOcJa	10.3	2135
Citicorp		18⅛xd	4.3	-	-	23.10	2141
Colgate-Palm		38¾xd	-4.3	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1554p	4.9	60c	DeMrJeSe	31.5	-
Dana		32⅛xd	1.9	$1.60	MrJeSeDe	24.2	2308
Data General		643p	6.8	-	-	-	-
Decora Inds	♥	138p	10.4	-	†	-	-
Dun & Brad		38¼	3.9	$2.44	MrJeSeDe	13.2	-
Eaton		65½	-.7	$2.20	FeMyAuNv	2.2	2410
Echlin		16½xd	9.1	70c	JaApJyOc	6.4	3046
FPL		24⅞xd	3.6	$2.44	MrJeSeDe	25.8	-
Ford Motor		35⅞xd	1.6	$1.60	MrJeSeDe	27.4	2615
Gen Elect		60⅞xd	1.6	$2.52	JaApJyOc	4.3	2675
General Host	♥	588p	-.2	34c	†	13.12	-
Gillette		34½xd	3.8	84c	MrJeSeDe	28.4	2685
Hasbro		20⅞	-	24c	FeApJyNv	1.8	-
Honeywell		22¾xd	1.8	80c	MrJeSeDe	23.2	2919
Houston Inds		29	-3.3	$3.00	MrJeSeDe	10.11	-
Ingersoll-Rand		21⅞xd	5.7	70c	MrJeSeDe	14.5	2979
Lockheed		41⅛	1.9	$2.12	MrJeSeDe	15.2	-
Loews	h	2867p	5.1	28c	JaApJyOc	11.7	-
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+/-	Mkt £m	Last xd	City line
Glencar Expl IE	‡‡	12	9.1	–	–	–
Greenwich Res.	♣□	18¼	23.7	–	–	2773
Hemlo Gold C$		25⅔	17.5	Q20c – Dec Jun	8.11	–
Ivernia West IE	‡‡□	55	14.6	–	–	–
Kenmare	♣□	10½	–10.6	–	–	1453
Meloga Res.		15	–	–	–	–
Navan Res IE	♣	38	2.7	–	–	1186
5pc Ln Notes		35	2.7	–	–	–
Oryx Gold		62⅛	–	–	–	3985
‡‡Ovoca Res IE		3½	–	–	–	1470
RTZ	♣□	642	5.1	19.5 1.1 Dec Jul	15.3	3980
Vizcaya	♣	5¾	–	–	–	4193

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. I Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Addition: Holliday Chemical (Section: Chemicals). Delete: Throgmorton Trust Warrants (Section: Investment Trusts).

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT2639. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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Annual subscription £250.00 stg.

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4 pm close May 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅝	11½	AAR Corp	0.48	3.6	24	142	13⅜	13¼	13¼	-⅛
27¼	20	A L Labs A	0.18	0.7	45	152	26⅛	26	26⅛	-⅛
63½	54⅝	AMP Inc	1.60	2.6	22	1447	62½	62⅛	62¼	-⅛
71⅝	55½	AMR			11	10569	u71⅞	69½	71½	+1½
2¼	1⅝	ARX			12	13	2⅛	2	2	
51¼	29⅞	ASA	2.00	4.1	32	1071	49½	47⅞	48⅞	-⅞
30¾	22⅝	Abbott Lab	0.68	2.5	17	12357	27⅛	25¾	27⅛	+1
12⅝	10¼	Abitibi Pr	0.50	4.1	4	9	12¼	12	12⅛	-⅛
11¾	10¾	ACM Gvt In x	0.96	8.2		499	u11¾	11⅝	11¾	+¼
9¾	9⅛	ACM GvOpp x	0.80	8.3		104	9⅝	9½	9⅝	+⅛
9⅝	8¾	ACM Gvt Sp	0.80	8.4		189	u9⅝	9⅜	9½	
11⅜	10½	ACM Gvt Se	0.96	8.5		245	11¼	11⅛	11¼	
11	9⅝	ACM Man x	1.08	10.0		179	10⅞	10¾	10¾	-¼
9⅜	8⅝	ACM Msegd x	0.72	8.0		183	9⅛	9	9	-⅛
9⅞	7¾	Acme Cleve	0.40	4.2	12	28	9⅝	9⅜	9½	
9¼	6½	Acme Elect			250	12	7½	7½	7½	
16	12	Acuson			13	450	12⅝	12½	12½	
22¼	19⅝	Adams Expr x	0.48	2.3	1	75	21	20¾	20⅞	+⅛
66	45½	Ad Micro	3.00	5.1		153	59¾	58½	58½	-¾
32¾	17⅝	Ad Micro P	3.00	10.5	12	3425	28¾	28⅛	28½	-½
7¾	5½	Advest Grp	0.16	2.5	10	38	6½	6⅜	6⅜	-⅛
24¾	21¼	Advo Inc	0.06	0.3	23	6	21½	21⅜	21⅜	+⅛
49⅞	41⅓	Aegon ADR	2.95	6.5	8	46	46	45½	45¾	+⅛
54⅛	43⅜	Aetna Lf	2.76	5.2	1067	1451	53⅜	53	53⅛	
14½	11½	Affil A x	0.26	2.2	27	142	12⅛	12	12	-⅛
40¼	33	Aflac x	0.50	1.3	17	837	38¼	37¾	38⅛	
22⅛	16¾	Ahmanson x	0.88	5.0	14	189	17⅞	17⅝	17¾	
7¾	4⅝	Aileen Inc			17	203	4⅞	4¾	4⅞	
48½	40⅜	Air Pr Chm	0.86	2.0	17	2200	43¼	42½	42⅞	+¼
24¼	18⅛	Airbne Frt x	0.30	1.4	87	488	21¾	21⅝	21¾	
26½	18¼	Airgas Inc			35	439	25⅝	25⅛	25⅜	
14⅜	10½	Airlease	1.60	11.2	11	31	14¼	14	14¼	+⅛
105	101	AlaPw8.16	8.16	8.0		5	104	104	102½	
105½	102½	Alab 8.28C	8.28	7.9		z50	104¾	104¾	104¾	
18	15⅝	Alaska Air	0.20	1.2	2	231	16⅝	16¼	16¼	-¼
17⅜	14¼	Albany Int	0.36	2.1	117	7	16½	16⅜	16½	
35	28¾	Baldwing Hy	0.64	[illegible]						

Continued on next page

4 pm close May 14

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt	1.36	7.5	19	39	18⅜	17⅞	18⅛	+⅛
20¾	17	SCOR US Cp	0.32	1	8228	282	18½	18⅛	18¼	-¼
26¾	20	SPS Techno	1.28	4.8	19	141	u27	25⅝	26¾	+⅛
14½	12⅞	Sabine Rlt	1.33	9.4	10	39	14⅛	14⅛	14⅛	
13⅛	8⅞	Safecard	0.10	0.8	16	141	12½	12¼	12⅜	+¼
23½	17	Safeg'd Sc			8	18	18⅜	18	18	-⅜
24¾	16¼	SafetyKln	0.36	2.0	24	2122	17¾	17⅜	17¾	
16¾	10⅞	Safeway			24	1036	15½	15¼	15⅜	+⅛
3⅞	2	SafewayW96				85	3¼	3¼	3¼	+⅛
44½	37½	StJoePaper	0.20	0.5	92	16	39	38⅞	39	+¼
37⅝	31	StJoeL&P	1.76	4.8	14	7	37	36⅞	36⅞	
83¼	75	St Paul's	2.80	3.4	12	461	82¾	81½	81¾	-¾
9⅝	7⅞	Salant Crp			4	29	8⅝	8⅜	8½	
75¼	42½	Sallie Mae	1.20	2.6	10	2851	46⅝	45⅝	46⅝	+⅝
13⅞	13	Salomon Br x	0.36	2.7		58	13½	13⅜	13½	+⅛
41⅞	34⅞	Salomoninc	0.64	1.8	18	1169	36¾	36⅛	36¼	-⅜
26⅞	23¼	SanDgo G&E	1.48	5.8	14	337	25⅝	25¼	25½	-¼
4⅜	3½	SantaFeEDu	0.40	10.3	193	39	4	3⅞	3⅞	-⅛
11⅞	9⅛	SantaFeERs	0.16	1.5	100	861	11	10⅝	11	+⅛
40¾	35¾	SantaFePac	2.80	7.4	18	127	38⅛	37½	37⅝	-¼
18	12¾	SantaFeStn	0.10	0.6	19	12213	17¼	16⅝	16¾	
31⅛	23⅞	Sara Lee	0.58	2.3	19	6933	25⅞	24¾	25⅞	+⅝
47	40⅛	Scana Corp	2.74	6.0	15	125	46½	45⅞	46	-½
49⅝	43	Scecorp	2.80	6.0	14	1827	47¼	47	47	-½
38⅞	23⅞	ScharerRP			24	2145	28¼	28½	27¼	-½
68½	51¾	SchetingPl x	1.80	2.8	17	4092	65⅜	64¼	65⅛	+⅝
66	55⅜	Sch'berger	1.20	1.8	24	6380	65⅞	64⅝	65⅞	+⅞
39	24⅞	Schwab(C)	0.30	1.0	13	549	31⅝	30⅞	31	-½

- X - Y - Z -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
88⅞	72½	Xerox	3.00	4.0	32	2718	76¼	75¼	75⅜	+¼
55½	51½	Xerox4.125	4.12	7.7		z100	53½	53½	53½	
108¾	62½	Xtra Corp	0.48	0.6	18	539	86⅛	84⅜	84⅜	-1⅝
33¼	29⅝	Yankee Egy	1.66	5.1	13	91	32⅝	32⅜	32½	+⅛
1¾	¾	Zapata			125	446	u1¾	1⅝	1¾	
8⅜	5⅝	ZenithElec			2	728	6⅞	6½	6¾	+⅛
29¼	19⅝	Zenith Nat	1.00	4.1	20	387	24⅝	23¾	24⅝	+1
7¾	6½	Zeste Inc	0.82	10.8		84	7⅝	7½	7⅝	
15	12¾	Zero Corp x	0.40	2.7	30	105	14⅞	14½	14⅞	+¼
40¾	35¼	Zero Ind	0.88	2.3	42	80	39⅛	38⅝	38⅞	-¼
13¼	12⅝	Zweig Fund	1.12	8.9		125	12¾	d12⅝	12⅝	
10⅝	9⅞	Zweig Tcll x	0.96	9.7		385	10	d9⅞	9⅞	-⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. o-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close May 14

NASDAQ NATIONAL MARKET

4 pm close May 14

MONDAY INTERVIEW

Centrist at a golden crossroad

Huang Ju, mayor of Shanghai, speaks to **Tony Walker** and **Kieran Cooke**

Mr Huang Ju, the mayor of Shanghai, is a man with a mission. His aim is to set his city on course to become a finance and trade powerhouse in Asia and the Pacific by 2010.

Twelve months ago, Hong Kong, Taipei, Tokyo and Seoul may have scoffed at Mr Huang's presumption, but it is unlikely today that financiers in any of these centres would doubt Shanghai's capacity to assert itself regionally by early next century.

The "city state" is already proving a strong magnet for new investment, sucking in billions of dollars of foreign funds – $3.5bn last year alone, equivalent to almost the entire amount over the past decade. In the process, Shanghai is becoming more closely attached to the economies of Japan, South Korea, Hong Kong, Taiwan and the other Asian tigers such as Singapore and Thailand.

"Between 2000 and 2010 we want to turn Shanghai into a financial and trading centre of the Asian and Pacific region. Our objective is to achieve complementarity with other regional financial and trade centres," Mr Huang said.

The 55-year-old engineer who became mayor of China's most populous city in 1991 speaks the language of a salesman when extolling Shanghai's advantages as the "dragon head" of his country's economic development.

The city sits, for example, at the point where China's "golden highway", the Yangtze, runs into the sea; it is also located mid-way between north and south on China's coastline. "We are at the crossroads of the golden highway and golden coastline. We stand at the gateway to the world outside," Mr Huang said of the Yangtze river delta and Yangtze valley whose cities and towns account for half China's industrial output.

His dream of Shanghai's golden future will depend on sustained revitalisation of the city's crumbling infrastructure and industrial base. It will also require a revolution in China's state-dominated financial sector whose old-fashioned ways are incompatible with Mr Huang's aspirations for Shanghai as a modern financial services sector.

The mayor fits the mould of the modern Chinese technocrat-cum-official. He dresses neatly in conservative western suit and tie and tasselled black shoes; and he is cautious in his political observations, as befits someone with a reputation as a centrist with links to the two broad factions of the communist elite. Among his mentors is said to be the 88-year-old Chen Yun, patron of the central planners and a conservative counterweight to the reformists led by senior leader, 88-year-old Deng Xiaoping.

Mr Huang deflects questions about the relevance of Marxism in modern China. He would rather quote statistics than Marx; the thoughts of Deng Xiaoping than those of Chairman Mao.

China's turbulent past, its adherence to class struggle, its Soviet-style central planning, and the disruption caused by mass political campaigns are "part of history", he said. What was important was to look forward. Mr Huang joined the Communist party in 1966, three years after he graduated from Qinghua university, one of China's most prestigious, and a few months before the Cultural Revolution brought years of chaos to China.

Looking forward provides the Chinese official with an opportunity to sketch in some grand plans for Shanghai. These involve three stages of development: from 1991-95; 1996-2000; and 2000-2010.

Shanghai would continue to invest heavily in infrastructure at a rate of about $1.75bn annually to the end of the century, creating the right environment for the city to achieve its broader ambitions; municipal planners, through tax incentives and other measures, would shift the balance of industry from heavy to light manufacturing, preferably high-tech; and services would be given every encouragement to grow from their present 30 per cent share of the city's GNP to 45 per cent.

Shanghai has a lot of catching up to do. Its share of national industrial output is down from 18 per cent in the 1950s to about 7 per cent today. In 1985 it yielded to Guangdong province in the south the mantle of number one exporter.

It is this latter development that the proud Shanghainese find particularly irksome. And although Mr Huang is too shrewd a politician to make negative remarks about the southern province – he almost certainly harbours national ambitions – it would be surprising if he did not share in a general desire to put Guangdong and the energetic Cantonese in their place. "We want Shanghai to lead in economic development in China," is about as close as he is prepared to go in throwing down the gauntlet.

Mr Huang is also careful not to criticise Beijing for keeping Shanghai on a tight leash longer than was perhaps necessary until recently. Shanghai businessmen chafed for years at what they saw as unfair restrictions on their activities, while their Guangdong counterparts were permitted to engage in an entrepreneurial free-for-all.

Shanghai has also been obliged to contribute a bigger share of its revenues into national coffers, leaving itself short of funds to deal with manifest infrastructural problems – housing, roads and sewage systems all need urgent attention – in one of the world's most overcrowded cities. Loyally, Mr Huang ascribed Beijing's restrictions to Shanghai's importance as a stabilising factor during the politically risky early reform process of the 1980s.

"Shanghai has been obliged to play a role like a big brother," he said diplomatically. "As the source of one-seventh of state revenues in the 1980s it had to bear its duties and responsibilities. It was too risky to experiment."

Mr Huang compared Shanghai's role in the 1980s to that of a defensive player in soccer. But in the 1990s it was moving onto the offensive as a "pioneer for reform".

Among privileges now being ceded by the central government to Shanghai is the right to borrow internationally. Mr Huang estimates that Shanghai raised about RMB10bn last year for infrastructure projects, of which about 80 per cent had been borrowed abroad, most from international lenders such as the World Bank and Asian Development Bank.

Shanghai is now also allowed to buy construction materials from the cheapest international source without first obtaining permission from Beijing, a process that could often take three months or more.

Mr Huang expects the city to continue to grow at rates well above the national average. Shanghai's economy last year expanded by 14.8 per cent, compared with national growth 12.8 per cent. The city's target is 10 per cent annually until 2000, but the mayor is confident it will exceed that target without provoking crippling cost-of-living increases.

Western concern about China's economy overheating was exaggerated, he declared, and some inflation was, in the present circumstances, unavoidable. The Chinese had, in any case, learned to cope with price rises. "You look at China from the point of view of a foreigner. I look at it as a Chinese," he said.

Mr Huang, whose full name means "yellow Chrysanthemum", would probably describe himself as a pragmatist in the tradition of Mr Deng. Indeed, he spurned any suggestion that accepting the failure of rigid central planning was painful for someone whose political views were nurtured during the Mao-dominated 1950s and 1960s. "We've got to seek truth from facts," he said, using a well-worn Deng slogan. "We must explore ways for development with actual conditions in mind to recognise what is right and correct and what is mistaken.

"We realise it is impossible to have a perfect market economy," he added. "But we are learning from the European and the Americans and from our own experience." Mr Deng, one of whose most famous slogans is "practice is the sole criterion of truth", would approve.

'We stand at the gateway to the world outside'

PERSONAL FILE

1936 Born in Zhejiang province
1963 Graduated with engineering degree, Qinghua university.
1982 Deputy director, Shanghai Bureau of Technical Engineering.
1986 Vice-mayor, Shanghai.
1989 Mayor of Shanghai.

The real obstacles to free trade

MICHAEL PROWSE on AMERICA

When critics say the Clinton administration's trade policy is confused, what they mean is that they disagree with it. As in the early days of any new administration, policymakers clash on occasion. Mr Lloyd Bentsen, the treasury secretary, may sound more committed to classical free trade principles than, say, Mr Mickey Kantor, the trade representative, or Ms Laura Tyson, the White House chief economist. But these are nuances: there is a great deal of agreement on fundamental principles.

Nobody in the Clinton team – from the president down – believes much can be gained from new protectionist barriers to imports. They want more rather than less trade. On the other hand, they think the US's relative economic decline in recent decades partly reflects an asymmetrical trading structure. American markets, especially for high-tech goods, have been more open and less subsidised than those of most other industrialised countries, putting US companies at a disadvantage.

This can be put right, the US believes, only by policies that emphasise "equal access" to markets. Purely reciprocal trade concessions are not enough because, given the starting point, they would still leave US markets more exposed than those of trading partners such as Japan.

These arguments have force. No country any longer advocates the kind of unilateral free trade embraced by Victorian Britain. In the immediate post-war decades the US was willing to have more open markets than its trading partners for two reasons: it was an economic superpower and trade concessions were a useful way of winning support for its "containment of communism" strategy. Now that communism is dead and the US's economic strength is much reduced, it is understandably seeking a genuinely level playing field in trade.

If there is a ground for complaint, it concerns tactics. Taking its lead from Republican administrations, the Clinton team is preparing unilaterally to impose sanctions on Japan and other countries it deems unfair traders. It appears determined to use the 1986 semiconductor accord, which set a quantitative target for foreign penetration of the Japanese market, as a model for other sectoral agreements.

So far this kind of "managed trade" seems to be attracting surprisingly little opposition. At a recent Washington lunch, Mr Jean Claude Paye, secretary-general of the Organisation for Economic Co-operation and Development, pointedly refused to condemn quantitative targets. "If the US policy leads to a non-discriminatory opening of closed markets, it will be good," he said. In other words, US bully-boy tactics are fine so long as a piece of Japanese action is reserved for Europe.

This is too complacent a view. Why should bureaucratic measures that reserve a chunk of Japanese markets for foreign (mainly US) companies encourage the Japanese to adopt more market-oriented policies? The history of interference in market mechanisms in trade suggests that such an intervention will be neither temporary nor regionally contained. Such "voluntary import expansion" orders would probably spread like wildfire, just as voluntary export restrictions did in the 1980s. If this is what the Clinton people really want, they are short-sighted.

On the other hand, economists enraged by such policies should recognise that the US plans, in part, are a legitimate reaction to the shortcomings of the multilateral rules underwritten by the General Agreement on Tariffs and Trade. The structural and cultural impediments that hamper foreign access to Japanese markets are frequently not covered by the Gatt rules. But, rather than wrecking relations with Tokyo by insisting on what amounts to disguised import quotas for US companies, the US should be thinking more strategically about trade policy.

The bilateral deficit with Japan is much less important than overall US trade deficit which can only be reduced by macroeconomic means. The tensions with Japan reflect a general problem: the fact that the ability of companies to compete globally is affected by a whole range of domestic policies, not just the level of protection at the border.

As production becomes increasingly globalised, the challenge is not just to create a level playing field in trade but a level playing field generally. This means ensuring that the overall level of government support for industries is roughly equalised. The US thus ought to be pushing hard for agreement on the terms of reference for a post-Uruguay Round of trade talks to address the domestic obstacles to truly cosmopolitan capitalism, such as differences in national industrial, technology and competition policies.

Unilateral threats sound tough but they can never properly address the worldwide interests of US companies. Companies that operate globally need globally-valid trade rules. The only forum in which the US can hope to forge a global trade regime good for both the US and its partners is the Gatt. Mr Clinton says he supports the Gatt process. But like so many American policymakers, he appears unable to grasp the overriding importance of multilateral rules and institutions as economies grow ever more interdependent. It is a curious shortcoming given his sensitivity to such institutions in military and diplomatic policy.

Bosnia's moment of truth

IAN DAVIDSON on EUROPE

The row which boiled over last week between the US and Europe over the war in Bosnia seems to have subsided. But the reasons for the row have not been resolved, and the recent torrent of transatlantic abuse and recrimination may be a foretaste of much worse to come. The reason for the row is that the war is reaching the moment of truth.

The row was over a twin-track plan which the US thought would help stop the fighting – air strikes against the Serbs, and arms for the Moslems. Mr Warren Christopher, US secretary of state, toured Europe to sell the plan, but the Europeans turned it down flat.

The anger of some of the anti-European remarks coming out of Washington when Mr Christopher got home seemed way over the top. Senator Joseph Biden's denunciation of the Europeans for "indifference, timidity, self-delusion and hypocrisy" was not just gratuitously insulting; it came from a country which until now has done its best to stay out of the mess.

Mr Biden's intemperate outburst probably concealed a deeper meaning. It was a revealing give-away, not just of the intensity of political feeling building up over the conflict, but even more of a premonition that it is driving the world community inexorably towards a grave crisis.

Governments on both sides of the Atlantic know that the conflict is coming to a head. When it does, they will have to answer the most basic question, which they have so far evaded: are they prepared to stop the Serbs and impose a settlement, by force if necessary?

International leaders would prefer not to have to answer this question. They have believed, correctly, that the best kind of peace comes through negotiation; and they have wanted, if at all possible, to stay out of a murderous war in the Yugoslav mountains. As a result they have followed a cautious policy: diplomatic pressure for a negotiation, on the Vance-Owen plan; and international sanctions to force the parties to negotiate. Officially, they continue to hope that these weak pressures will induce the Bosnians to make peace.

European governments have an extra reason for caution. From the beginning, President George Bush made clear he would have nothing to do with Yugoslavia. The US sent large numbers of troops to Somalia, with spectacular success; but Yugoslavia was Europe's problem, and Europe's failure.

Bill Clinton campaigned against Mr Bush for a stronger line on Bosnia. Four months into his presidency, he is still telling us that he is going to have a stronger policy on Bosnia; but he still does not have one. The plan for bombing the Serbs and arming the Moslems has now apparently been put on hold. This might have briefly satisfied Mr Clinton's need to be seen to be "doing something", without endangering US soldiers. But it could not have improved the chances of peace, and might have made them much worse.

The UN could not possibly endorse a policy of intervening militarily on the side of the Moslems; that would end all UN peace-keeping for a generation. In any case, such a policy would be vetoed by Russia.

If the US intervened militarily on the side of the Moslems, there would be two immediate consequences. First, all international peace-keeping and most humanitarian operations would immediately stop. Second, others would probably intervene on the side of the Serbs. As a result, the war would reach new peaks of ethnic cleansing and territorial aggression.

A bombing policy would, in any case, quickly have to be halted, in the face of international revulsion at its unintended but inevitable results. During week one of such an assault, Clinton's hero-rating would soar as the American electorate admired spectacular TV footage of air strikes. In week two, his rating would collapse, in the face of gruesome TV footage of dead and dying civilians. Such a policy makes sense only if you are sure that the Serbs would abandon their war aims during week one.

Finally, the US plan is ambivalent about its true strategic objectives. Does it hope to bomb the Serbs into submitting to the Vance-Owen plan? Or does it just want a more equal war, so that the Moslems could fight for more territory? There is a big difference between the two.

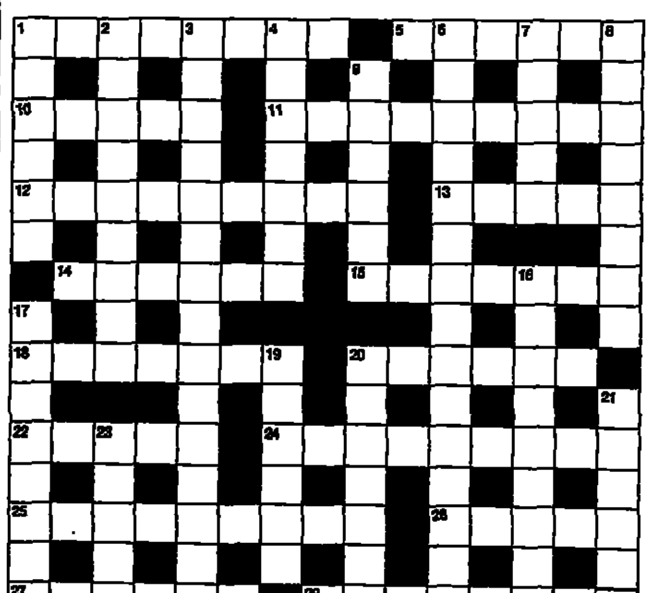
If the Americans just want a fight to the finish, they have no reason to put any troops in on the ground. In that case they should openly dissociate themselves from the Vance-Owen plan, and stop sneering at the Europeans. If, on the contrary, they hope to implement the Vance-Owen plan, they must be prepared to send troops; but sending troops means fighting Serbs, because that is the only way to make them give up 30 per cent of the territory of Bosnia.

In the end we are forced back to the fundamental question: is the international community ready to stop the Serbs, and impose a settlement, by force if necessary? The steps taken so far by Europe and the UN are intended to put off that question for as long as possible. First we had sanctions; then we had a no-fly zone; now we have safe havens, in theory; soon we may have an internationally monitored blockade on the Serbian-Bosnian frontier. But now we have virtually exhausted the repertoire of peaceful pressure to drag the combatants to a negotiated solution, because the gap between the principles of the Vance-Owen plan and the facts on the ground is turning into an unbridgeable abyss.

At best we have a few more weeks for procrastination and hope. Then we shall have to answer the big question. And that will be the signal for a serious transatlantic row.

CROSSWORD

No.8,152 Set by DANTE



ACROSS

1 A cleaner fuel that draws well (8)
5 Slowly executed movement of a US soldier in trouble (6)
10 Almost rate as fools (5)
11 Do such animals only live from day to day? (9)
12 Coal-seam worked by sailors (9)
13 A wild animal but it's all right, a quiet one (5)
14 Well up in poetry? (6)
15 Give one the right to call (7)
18 Mary and child featured in stonework (7)
20 American negro has new role in church (6)
22 Three animals in the lead (5)
24 Tech girl in an idle form (9)
25 Aim always, say, to do one's best (9)
26 A card cheat may be so described (5)
27 West End tours arranged in coaches (6)
28 Les Miserables – or The Turn of the Screw (8)

DOWN

1 Fascinates church members (6)
2 A worker's interrupted by ecstatic non-workers (9)
3 Rooks on the wing? (7,2,3,3)
4 In a bad temper the day none came round (7)
6 Medicine openly available but no longer in demand? (4,2,3,6)
7 Sail Columbus raised here (5)
8 Such a heating device is well fuelled (3-5)
9 Damage to church is seldom seen (6)
16 Great help, perhaps, in rapid communication (9)
17 Author takes fish without permit (8)
19 Give loud cry of pain like a coward (6)
20 He may bring food from the terrace (7)
21 Guards the gang on board (6)
23 Examination necessitating a lot of book-work (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 29.

COMPANY NOTICES

هكذا من الأصل